

JPRS-UEA-90-032
12 SEPTEMBER 1990



JPRS Report

Soviet Union

Economic Affairs

Soviet Union

Economic Affairs

JPRS-UEA-90-032

CONTENTS

12 SEPTEMBER 1990

NATIONAL ECONOMY

ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Benefits of Western Economic Aid Doubted [V. Popov; <i>KOMSOMOLSKAYA PRAVDA</i> , 7 Aug 90]	1
Roots of Present Economic Crisis Examined [Ye. Gaydar; <i>PRAVDA</i> , 24, 25 Jul 90]	2

INVESTMENT, PRICES, BUDGET, FINANCE

Wisdom of Centralized Investment Cutbacks Debated	9
Negative Impact on Future Growth [N. N. Seliverstova; <i>EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)</i> No 5, May 90]	9
Present Reductions Necessary [V. I. Suslov; <i>EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)</i> No 5, May 90]	15
Social Protection Against Inflation Studied	16
Tax Exempt Retirement Savings Proposed [M. Goryachev, V. Balandin; <i>EKONOMIKA I ZHIZN</i> No 20, May 90]	16
Cost of Living Index Under Review [I. Pogosev; <i>EKONOMIKA I ZHIZN</i> No 20, May 90]	17
Commercial Banking Activities Reviewed [S. Rodionov, S. Loshchatova; <i>EKONOMIKA I ZHIZN</i> No 20, May 90]	18

REGIONAL DEVELOPMENT

Interrepublic Trade Imbalances With Baltics Discussed [V. Miloserdov; <i>LITERATURNAYA ROSSIYA</i> No 31, 3 Aug 90]	21
Estonian Government Discusses Labor Market, Privatization, Other Issues [Yu. Khindov; <i>SOVETSKAYA ESTONIYA</i> , 30 May 90]	24
Economic Cooperation Between Leningrad, Uzbekistan Described [M. Garbuzenko; <i>PRAVDA VOSTOKA</i> , 1 May 90]	25

MODELING, ECONOMETRICS, COMPUTERIZATION

Goskomstat Official Describes Plans To Expand Glasnost in Statistics [Yu.A. Yurkov; <i>EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)</i> No 7, Jul 90]	29
---	----

AGRICULTURE

AGRO-ECONOMICS, POLICY, ORGANIZATION

Boyev Sees Increasing Role For Private Plots [V. Boyev; <i>SELSKAYA ZHIZN</i> , 6 May 90]	32
Impediments To Farming Initiatives Continue	34
Construction Support Lacking [O. Pakhoma; <i>SELSKAYA ZHIZN</i> , 20 May 90]	34
Letters Describe Local Problems [SELSKAYA ZHIZN, 2 Jun 90]	36
Letter From Moldavia [G. Radulov; <i>SELSKOYE KHOZYASTVO MOLDAVII</i> No 5, May 90]	37

REGIONAL DEVELOPMENT

Further Material on Emergence of Agrarian Union in Belorussia	38
New Union Chairman Identified, Interviewed [K. Yermolenko; <i>SELSKOYE KHOZYAYSTVO BELOURUSSII</i> No 5, May 90]	

[K. Yermolenko; SELSKOYE KHOZYAYSTVO BELOURUSSII No 5, May 90]	38
Reason for Peasant Union [V. Kuklov; SELSKAYA GAZETA, 1 May 90]	41
Agrarian Union Program [SELSKAYA GAZETA, 15 May 90]	42
Agrarian Union Statutes [SELSKAYA GAZETA, 15 May 90]	43

MAJOR CROP PROGRESS, WEATHER REPORTS

State Food Commission Official On Harvest, Procurement Problems [M. Timoshishin; PRAVDA, 4 Jul 90]	46
---	----

MACHINERY, EQUIPMENT

Industrial Conversion Fails to Help Agriculture	48
Conversion Aggravates Equipment Shortages [A. Popov; SELSKAYA ZHIZN, 25 Jul 90]	48
Products from Defense Plants Expensive [I. Selivanov; SELSKAYA ZHIZN, 8 Aug 90]	49

CONSUMER GOODS, DOMESTIC TRADE

POLICY, ORGANIZATION

Decree on Domestic Hard-Currency Trade Published [EKONOMIKA I ZHIZN No 33, Aug 90]	52
Goskomtsen Official Criticizes May Economic Program [D. Shavishvili; SOVETSKAYA TORGOVLYA No 10, 1-15 Jun 90]	54

FOOD PROCESSING, DISTRIBUTION

Quantities, Prices of Meat Imports Detailed [A. Krivenko; ARGUMENTY I FAKTY No 34, 25-31 Aug 90]	56
New Leningrad Mayor Views Food, Liquor Problems [A. Shchelkanov; MOSCOW NEWS No 29, 29 Jul-5 Aug 90]	57
Goskomstat Releases Baby Food Production Data [L. Mamedova; SOVETSKAYA TORGOVLYA No 15, 16-31 Aug 90]	58

GOODS PRODUCTION, DISTRIBUTION

Electronics Industry Minister on Production Prospects [V. Kolesnikov; ARGUMENTY I FAKTY No 18, 5-11 May 90]	59
Savings Banks Issue Bonds For Consumer Goods [PRAVDA UKRAINY, 1 May 90]	60

ENERGY

ELECTRIC POWER GENERATION

Scientist Urges Environmental Considerations in Nuclear Power Plant Siting [V. Osipov; PRAVDA, 30 Jul 90]	62
All-Union Central Heating Program Reviewed [Ye. Sokolov; ENERGETIK No 5, May 90]	63

LABOR

Independent Trade Union Federation Head Interviewed [I. Klochkov, PRAVDA, 21 Aug 90]	68
Commission Discusses Upcoming USSR Trade Unions Congress [V. Pisarchik; TRUD, 30 Aug 90]	70
LaSSR Free Trade Unions Congress Profiled [G. Lapinya; TRUD, 31 May 90]	71
RSFSR Independent TU Federation Calls for Price Hikes, Market Referendum [I. Klochkov, TRUD, 16 Jun 90]	73
Donbass Miners' Strike Movement Leaders Profiled [A. Afanasyev, et al.; KOMSOMOLSKAYA PRAVDA, 1 Aug 90]	75

TRANSPORTATION

MOTOR VEHICLES, HIGHWAYS

Open Letter to Ryzhkov by Auto Plant Directors on Industry Problems [PRAVDA, 25 Aug 90] ...	83
Visit to CPSU CC Motor Pool, Driver Training Center Highlighted [S. Pluzhnikov; KOMSOMOLSKAYA PRAVDA, 16 Aug 90]	84
Kamaz Plant's New Economic Program Examined [P. Korotkov, V. Ulyanov; EKONOMIKA I ZHIZN No 32, Aug 90]	85

ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Benefits of Western Economic Aid Doubted

904A0577A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 7 Aug 90 pp 2-3

[Article by V. Popov, doctor of economic sciences:
"Credit, Open Up!"]

[Excerpt]

[Passage omitted—summarizes Western position on
extending economic aid]

The transition from the Cold War to detente resulted in a sharp expansion of trade with the Western countries. In the eighties, however, trade with the West fell off to nothing. On the one hand, it turned out that we had nothing but raw materials to sell, and our overcentralized foreign economic mechanism was such that it stood in the way of exporting even those goods that were competitive. On the other hand, political detente was getting bogged down.

Only at the very end of the decade did America, inspired by our perestroika, decide finally on modest steps in economic cooperation with us. The U.S. administration removed its objections to the USSR's membership in GATT (in May, we acquired observer status there), and it was decided to sharply reduce the KOKOM lists of goods and technologies prohibited from export to the USSR and to set up the Bank for Reconstruction and Development for Eastern Europe. An agreement has been signed, but has not taken effect, granting us most favored nation treatment (it will take effect after we adopt the exit law eliminating the need to obtain exit visas).

So far, however, the United States has not committed itself with credits, although discussion of this issue began long before the meeting in Houston. Those who favor granting loans to us believe that it will aid perestroika, which has now entered a critical phase. But the skeptics, on the other hand, argue that if the USSR obtains loans, it will lose any desire to reduce military expenditures and convert its economy to a market system. Western credits, they argue, will at best only prolong the agony of the administrative system.

A compromise solution will probably be worked out by the end of the year. The West has decided to help us, but it puts a condition: truly radical reforms to convert to a market economy. It will be interesting to see what our answer is to that. Will we accept the conditions, or say that we are not going to "sell ourselves in bondage to imperialism"? Do we need to take the loans or not? If we leave emotions to one side and concentrate on the heart of the matter, then we cannot but acknowledge that Western credits are extremely necessary to us. We have to pay for perestroika, and the longer the transitional period lasts, the more we will have to pay. The costs are

inevitable because in the economic sense structural perestroika presupposes major shifts in the placement of resources and manpower: some production groupings and enterprises must be shut down, others reconfigured, a third group expanded, and a fourth built from scratch to replace the previous ones.

Investments have been eating up as much as 30 percent of our national income, and another 20 percent has gone for military expenditures, so that barely more than half has been left for consumption; while the share of consumption in the national economy exceeds four-fifths in the average Western country. This means that the transition to the market, combined with the reduction of military expenditures, will force us to restructure, in the literal sense of this word, 25-30 percent of our production potential.

But this is very good, simply splendid, because once that restructuring is completed, with the same size of the national income, i.e., with the same outdated equipment, with the same low qualification of manpower, with the same resources that are available now, we would be able to consume 1.5-fold more solely on the basis of better organization of effort and by a rise in the efficiency coefficient of our economy. The catch, however, is that this will occur only **after** perestroika, when the market is already in place. But **during** the restructuring, enterprises will be closed down, there will be unemployment, the volume of output will drop, and there will be a corresponding 25-30-percent drop in the standard of living. At best, the decline of production will last two years, at worst it will last longer, but it will not be easy to hold out even for those two years.

These are not abstract judgments, but a rather simple conclusion from economic theory that has been confirmed many times by economic practice. For instance, in the United States the conversion of war plants following World War II was accompanied by a drop in the total volume of industrial output for two years in a row, actually a deep economic crisis was observed on a scale that fell short only of the Great Depression in the thirties.

Similar processes are taking place even now in many East European countries, above all in Poland, which has moved further than the others in the direction of a market economy. The volume of production in that country, as was expected, will be 25 percent lower this year than last, and unemployment will rise to 1.3 million persons. Enterprises are going bankrupt, and there is rising unemployment in Hungary, East Germany, and Czechoslovakia—even though the share of production groupings competitive on the world market is much higher there than in our country, and the share of the military-industrial complex, by contrast, is essentially smaller. Those countries, incidentally, have already received credits from the West; they are counting on their help to finance the costs of the transitional period, if not entirely, then at least partially.

Perhaps it is worth recalling our quite recent and not altogether happy experience of conversion of wine and vodka enterprises: Reduction of the production of wine and vodka went much faster than the growth of production of nonalcoholic beverages and juices, so that the general problem of the production of all beverages—vodka, wine, lemonade, juices, and mineral water—dropped until the end of the eighties and still has not reached the preperestroika level.

In general, a decline of production is inevitable, and instead of reassuring ourselves with talk about the possibility of a transition to the market without casualties, it would actually be better to worry about shock absorbers—ways of maintaining the standard of living of the population in difficult times. Nor are there very many of those ways, they are all well-known and almost all of them have strings that lead abroad: loans in the West secured with our gold reserves; selling on the financial market the debt we hold from the developing countries (we could probably get \$10-20 billion for them); reduction of aid to friendly countries; and finally, negotiations with the Western countries and international financial organizations on extending us aid to finance a specific program of truly radical market-oriented reforms.

Even as recently as three years ago there was a quite realistic possibility of carrying out perestroika painlessly, without major economic sacrifices, i.e., without a drop in the standard of living. Had we decided then on radical market-oriented reforms and large-scale loans abroad to finance the costs of perestroika, we would have been able to perform a kind of operation under anesthetic—to convert the economy to market principles without tightening our belts. The starting positions for launching economic transformations were far better at that time than today: the external debt was smaller, the consumer market was better balanced, and inflation was lower. Approximate calculations showed that if we had borrowed \$50-60 billion for a term of five years (they would have given them to us at that time), we could have guaranteed retraining, full sufficiency, and new jobs for everyone—for the workers of bankrupt enterprises, for the bureaucrats of discontinued ministries, for officers of the reduced *podrazdeleniya* of the armed forces, and so on. That money would also have been enough to support the market for consumer goods, for social welfare programs, and for investment in housing construction, education and health care, worn-out capital assets....

Nevertheless, at that time, three years ago, we did not decide either to make the transition to the market, nor to take large external loans, and we thus missed the chance which fate proffered to us. More precisely, it was granted us by the leaders in the era of the stagnation, who bequeathed to us an economy that was not efficient, but still at the very least did operate with a certain safety margin.

Now the situation is different. We have squandered away the safety margin to no purpose, without even having really begun any serious movement toward the

market. The unforgivable slowness with the economic reforms, the absolutely unjustified pumping of money into distribution channels, the administrative and bureaucratic games with the redistribution of resources (from the accumulation fund into the consumption fund) and with the setting of new prices instead of the transition to normal market relations—in the end, all of that has resulted in collapse of the circulation of money, the severing of established economic ties, strikes, and exacerbation of interethnic and social conflicts.

Economic growth came to a halt, and then an essentially uncontrolled drop of production began. In 1989, the drop in the volume of output occurred for 64 of the 144 designations of the most important industrial products listed in regular reporting, so that the two-percent growth of almost everything which Goskomstat [State Committee for Statistics] recorded at the time was nothing more than a statistical fiction. And in the 1st half of 1990 the volume of industrial production, even according to official data, dropped nearly one percent more. Thus, there neither was nor is there any authentic structural revamping, since there is no market, that topic of so much talk at present, but on the other hand there has been a reduction of production. Now, unfortunately, our opportunities to borrow on the international credit market are not what they were, but our needs are much greater. Now, even if we could scrape up \$50 billion from all sources (it could hardly be more), it would no longer be enough to cover payment of the bills for perestroika. Now, in other words, we are doomed to paying for the mistakes of our own government out of our own pocket....

We would like to hope that we will be able to survive with dignity the tests that have fallen to our lot. We would like to believe that we have enough restraint to get through the period of economic difficulties that is now inevitable without panic and upheavals. But what is to be done when it all adds up so that without tightening our belts we cannot begin a new life and cannot build an efficient market economy!

But still, you will agree, it is a pity. A pity that again and again—who knows how many times—we are confirming our reputation as a country of missed opportunities.

Roots of Present Economic Crisis Examined

904A0575A Moscow PRAVDA in Russian Second Edition 24, 25 Jul 90 p 2

[Article by Ye. Gaydar, doctor of economic sciences: "The Problem With Good Intentions"]

[Second Edition 24 Jul 90 p 2]

[Text] The manifest deepening of the economic crisis in recent months inevitably result¹ in a critical attitude toward the work of the authorities responsible for management of the economy in all the major political forums of late. Nor was the 28th CPSU Congress an exception. The economic policy being conducted was criticized

from widely differing angles, but almost always fiercely. I think the time has now come to cast aside emotions that cloud over the essence of the matter and calmly figure out where the most serious oversights have been committed, what are the causes of the present economic crisis, and what measures need to be taken to get out of it.

Ah, If Only the Managers Had Not Studied Political Economy...

The abundance of figures which economists juggle around give the uninformed clearly exaggerated ideas about the possibility of making a quantitative forecast of economic processes. When you hear that on a model consisting of 100 equations they have accurately calculated the consequences of lowering the rate of the profit tax of enterprises or of removing controls from all prices, one has to laugh. After all, we are not talking about pieces of iron, but of exceedingly complicated large-scale social processes, of human behavior.

Precisely because it is no simple matter whatsoever to discover any straightforward quantitative interrelationships in the economy, when anyone manages to do this it should be treated with respect. One of the well-known and economically verified dependent relationships is between the intensiveness of inflationary processes and the growth rates of the money supply. When these rates speed up sharply, when they shoot far ahead of the growth of the volume of production, inflation makes its way in both the market economy and in a command economy. Wherever the market is operating, prices climb up rapidly, while in the command segment of the economy goods disappear.

All of this has happened, indeed more than once. If we think back over our economic history, probably the most vivid example of this in peacetime is the end of the twenties and early thirties. The sharp growth of capital investments and of state expenditures, expansion of the money supply, the dismantling of the principal instruments of the New Economic Policy, replacement of trade with rationing, a sharp rise of the prices in commercial trade, and finally, an overall manifold rise in state prices.

Since the printing press began to work at full capacity since the mid-eighties, a flareup of inflation was inevitable. If in such a situation goods had remained on store shelves, this would have amazed economists no less than a flagrant violation of the laws of thermodynamics amazes physicists. The essential and important question lies elsewhere: How did the financial system manage to go to pieces so quickly?

Up to the mid-eighties, the financial position of the state was relatively sound. Minfin, helpless in the face of powerful sectoral pressure groups which had been shaking down billions for capital investment projects that had not been well-thought-out, still retained control over the situation thanks to thrift in the sphere of social welfare, redistribution of the resources of enterprises, the growing proceeds from foreign economic activity. The

budget deficit which had been climbing since the beginning of the seventies did not exceed two percent of the gross national product. In the noncash sphere, the proportions were building up, but there was rigid control over the money being put into consumer circulation, and the growth rates of the cash money supply were stable and low.

As a matter of fact, this could be easily demonstrated by looking at store shelves. Serious problems arose in the marketing of carpets, crystal, porcelain, and certain makes of automobiles. Commodity inventories in retail trade grew by 30 billion rubles in the period 1981-1985. The press was full of angry articles: How long is industry going to go on producing goods for the warehouse? Nevertheless, the underlying economic problems were getting worse. The main ones, of course, were not the decline of economic growth rates, but the archaic production structure. Metallurgy, machinebuilding, the chemical industry, light industry, and the food industry were lagging further and further behind the world level. The increased wear of the production infrastructure threatened to turn a harsh winter into disaster.

A new generation of leaders arrived at the beginning of perestroika. In the recent past, they have as a rule been strong managers of large plants. Far younger and more vigorous than their predecessors. Confident of their ability to overcome adverse trends and speed up economic development.

I think it would have been better if they had never studied economics. A desire arose to arrive at a serious understanding of quite complicated macroeconomic problems, to consult with specialists, and if you did not trust our own, then with foreign specialists. But in their time they had taken a course in the political economy of socialism and had passed examinations. And evidently, even then, while still students, they had come to understand, as reasonable people, that this wisdom which is taught in our country by way of economic theory has nothing directly to do with the economic realities they would be dealing with.

With a good idea of the serious production and technological problems the economy has been encountering, they also knew the most reliable means of solving them—boosting capital investments. Since they were unable to detect sound sectors with which they might have accomplished a structural maneuver, they carried out an investment assault along the entire front.

The idea was to squeeze a bit, to increase the share of the accumulation fund in the national income, to renew the production potential. Then on that basis to undertake to solve social problems. That is the line which the plan for the 12th FYP embodied.

This is the strategy of vigorous technocrats, and it is rather well-known in world economic practice. When events develop favorably and resources are used efficiently, it makes it possible to accelerate economic

growth rates, but it is always dangerous for state finance. Under our conditions, this was a mortal danger.

The ability to obtain a rapid return from the additional resources committed to economic development was the key condition of success. But...

By the beginning of the 12th FYP, the full estimated cost of construction that had been started in the country came close to 700 billion rubles; and actual construction time was more than double the standard time allowed. Everyone had long ago been accustomed to the situation in which large enterprises were under construction for decades. Indecisive attempts to reduce the amount of construction under way were not successful. In that situation, new foundation pits or at best foundations were all that came from all the fine and valid words about the need to boost machinebuilding, agriculture, or light industry.

Resources marshaled with immense difficulty were spread in a thin layer over tens and hundreds of thousands of ongoing construction projects. The value of unfinished construction grew 1.5-fold. Money not backed up in any way gushed onto the consumer market in the form of remuneration of the labor of construction workers, workers producing materials, equipment, and fuel for them. By that time, the situation had become much more complicated. The sudden spurt of investments was particularly risky because it coincided in time with two processes which actually were not under the real control of the government: the drop in the price of petroleum on the world market and the drop in revenues from the sale of alcohol.

A Bad Turn of Circumstances Plus Inability

If party authorities must rightly bear the responsibility for the antialcohol campaign, which they initiated and conducted in inspired fashion at the center and at the local level, interdicting any attempts to adjust the course, the drop in revenues from petroleum was a fatal historical set of circumstances for the political leadership that took over the government of the country in 1985. If conditions on the world market had been different, we might in fact have allowed ourselves large errors in economic policy. But when the shock absorbers of mismanagement, which had become familiar over a decade of high petroleum prices, disappeared, all the oversights were put in sharp relief.

Proceeds from the sale of petroleum and petroleum products from the USSR to the advanced capitalist countries, which in 1984 amounted to 13.6 billion rubles of foreign exchange, fell to 5.5 billion in 1986. Imports had to be cut back. The question: Which ones?

It is no secret to anyone that a portion of purchases abroad are a waste. Imported equipment sits for years in stocks of uninstalled equipment, it is put into service after warranty periods have run out, it is used with a productivity far lower than contained in the design, and it is simply stolen. The natural thing to do would seem to

be to restore elementary order in capital construction, to restrict deliveries of capital goods. But can this easily be done when a large-scale program to renew the productive plant has just begun and negotiations are being conducted on purchases abroad of the resources necessary to carry it out? The decision was made: tighten the belt still more, sharply reduce imports of industrially produced consumer goods. We would temporarily do without Western clothes and cosmetics, and when the investments yielded a return—we would supply our own. Imports of machines and equipment from the advanced capitalist countries between 1985 and 1989 increased from 5.4 billion to 7 billion rubles of foreign exchange, while purchases of industrially produced consumer goods dropped to one-third of what they had been (from 1.5 billion to 500 million rubles).

At first glance, it seems to be the natural solution, dictated by concern about the country's future. In reality, it is a serious mistake with grave economic and sociopolitical consequences.

The outlays to purchase industrially produced consumer goods for convertible currency were so negligible even in the period of their peak in 1985 that even giving them up completely could not by any means have closed the breach that had formed in the trade balance. But because of severe discrepancies between domestic and world prices, the role of these goods in formation of budget revenues was substantial. The variant chosen of restricting imports proved to be most serious for state finances, the circulation of money, while at the same time their illness entered a critical phase. Between 1985 and 1987, the net revenues of the budget (after deduction of expenditures) from foreign economic activity dropped off 21.3 billion rubles, deliveries of imported industrially produced consumer goods to the trade sector dropped 8.2 billion rubles. During those years, the deficit in the state budget increased from 18 billion to 57.1 billion rubles. The growth of inventories in retail trade was followed by a very rapid reduction of those inventories (by 10.7 billion rubles), which warned of a very rapid deterioration of the situation on the consumer market. The wave of speculative demand was only the natural reaction to that turn of events.

One can understand the desire of the country's new leadership and the party to quickly and decisively break with the tradition that had infected all levels of power of collective binges as a form of business intercourse, and one can agree that revenues from the sale of alcohol cannot be called healthy, at least not in Russia. But in taking the decision that resulted in reduction of budget revenues by 10 billion rubles per year (comparing 1986 to 1984), we have to answer one simple question: What was going to be used to close that financial breach? There are a whole range of possibilities: reduction of expenditures for centralized capital investments, subsidies, defense expenditures, changing the structure of imports, increasing the share of high-revenue commodity groups within it. It is the politician's job to choose a solution acceptable to society. There is only thing he cannot allow

himself—to hope that everything will work itself out on its own. Because that does not happen.

Living in the Same Old Way, But Getting Paid Under the New System

A typical feature of the beginning of 1988 is the growing disagreement and dissonance in assessment of the economic situation by the leadership on the one hand and by society on the other. The political documents of that period still ring like a victory bell: we have managed to overcome the stagnation in capital construction, the growth rates of industrial production have speeded up, following a period of experiments the economic reform is entering into the practice of economic activity. The conversion of enterprises to full cost accounting and the development of the cooperative are creating new work incentives. But in everyday life people were ever more frequently facing the natural concomitants of rising inflation: goods were disappearing from store shelves, the lines were getting longer, and the prices were rising.

Probably the saddest knot of contradictions against that background entangled the cooperative. The law adopted in the spring of 1988, which was supposed to regulate its development, in spite of all its shortcomings, which are obvious today, was undoubtedly a revolutionary legal enactment for its time, a real manifesto for market reform. But even the best manifesto does not replace real market mechanisms. And it would be difficult to imagine worse conditions than those which came about for their formation at that time: a weakening ruble, the progressive transition from trade to supply by allotment.

Scientists and journalists demonstrated it with figures in their hand: the economic results of the operation of cooperatives in 1988 were still so miserly that they could not have a serious impact on the consumer market; their role in product sales was only 1.5 percent, and their share of personal money income was less than 1 percent. Nevertheless, the incontrovertible fact of the simultaneous disappearance of goods from state trade and the emergence of the cooperatives made them the indisputable culprits responsible for the aggravation of the deficit in the eyes of millions of people. An explanation that was simple in its convincing accessibility—goods disappeared because the cooperators snatched them up—even outweighed incontrovertible arguments in the scale of the mass consciousness.

As often happens, there was some truth in the mistake made by society.

Back at the beginning of the thirties, the brilliant English economist J. Hicks demonstrated the role of tradition, of historically shaped stereotypes, in the remuneration of labor. He also demonstrated that abrupt changes in the relative level of income of various groups of employed persons inevitably generate inflationary tendencies. If they are not countered with firm financial policy, a spiral is created: wages—prices—wages, which is not easy to break out of.

In our country, the flareup of inflationary processes in 1986 and 1987 was entirely determined by mistakes in macroeconomic policy; the growth rates of nominal personal income remained low. The emergence of the cooperative and the very rapid growth of legal income they realized abruptly changed the attitude toward the level of remuneration at state enterprises. Surveys that have been conducted have shown the rapid decline of satisfaction with the income received in them, the growing gap between actual earnings and the acceptable, "fair" remuneration.

When the large-scale conversion of enterprises to full cost accounting was being prepared, the managers of major plants were called in repeatedly at various levels for consultations. If we put aside personal traits and the specific nature of the various branches and sectors, the general tone of those statements, which were set by the objective interests of work collectives, is well-known: grant freedom in the sale of their products, but put strict demands on suppliers if they think of going their own way, give them a free hand in spending the profit they have earned, but guarantee the financial aid of the state if it is needed. The influence of that approach, of the desire to make the economic reform a "lady pleasant in all her dealings," on the transformations in the system of economic activity that began in 1988 was obvious.

The deductions from profit left at the disposition of enterprises shot up. The resources of the production development fund grew almost eightfold between 1985 and 1988 (from 16 billion to 129.9 billion rubles). All of that would have been normal if at the same time there had been an equally rapid process of reduction of the responsibility of the state to finance the economy. Nothing of the kind occurred. Over those years, budget expenditures for the economy increased by 33.7 billion rubles, including 10.7 billion rubles committed to centralized capital investments.

Miracles are a rarity in economics. It is not possible at one and the same time for the state to use the budget and cost-accounting enterprises to use their own financial funds and for them both to buy one and the same machines, steel, and cement. The shortage of production resources is becoming more acute, and remainders of resources in the accounts of enterprises and organizations are increasing rapidly (by 54.6 billion rubles over the period 1985-1988). Instead of forming a regime of firm economic responsibility, the conversion to full cost accounting has created an additional flow of money that has no backing.

The demonstration effect of the high earnings of cooperators, the desire to offset the unacceptable lag of remuneration of labor in the state sector behind their level, and the crazy financial resources which enterprises were accumulating made the leap of wages inevitable. The flow of nominal income got out of control.

[Box, Col 2]**The Stages of the Crisis**

1985-1988: unfinished construction increases by 38 billion rubles.

1984-1986: budget revenues fall 10 billion rubles a year because of the drive against alcohol.

1985-1987: net budget revenues from foreign trade drop off 21 billion rubles a year because of the drop of world petroleum prices.

1988-1989: the growth rates of the average wage exceed by threefold the growth of the national income.

End 1989: the absolute volume of production begins to drop.

[Second Edition 25 Jul 90 p 2]

[Text] Since midsummer 1988, when the progressive financial crisis had already brought about profound disruption of the consumer market, there began to be an ever more manifest feeling in the sections of political documents devoted to the economy that the people responsible for making the decisions were trying to figure out and understand what was wrong in the economy, why well-thought-out programs were not yielding rapid constructive results, why goods that previously had been in abundance were disappearing, and why lines were growing? The supposed explanations: sluggishness, indifferent attitude toward people, intrigues of evil forces interested in preserving shortages—were not convincing.

One Step Forward, Two Steps Backward

The weaker the positions of the center, the more difficult it is for it to oppose the demands for more and more resources to be given. Especially in the case of demands from those sectors which can rely on broad public support.

Supply has deteriorated sharply, there is a shortage of goods, of food above all. This means that all efforts have to be concentrated in agriculture, more resources have to be brought in there, and capital investments have to be increased. Beginning with the 19th Party Conference, this idea has resounded ever more loudly. This is simple, convincing, and obvious. It is far more difficult to explain that the boundless and inefficient capital investments in construction of rural production facilities, the building of reinforced-concrete complexes for livestock with low productivity, the digging of ditches for irrigation and drainage, and the delivery of a record amount of metal scrap with a good paint job which is proudly referred to as agricultural equipment have in fact been the most important reason for the universal shortage of goods.

Attempts made earlier to offset the extremely low efficiency of economic activity with the flow of resources have clearly not been successful. In the 11th FYP, the

share of investments in agriculture (for the entire range of operations) reached 27 percent—a level unprecedented for an industrial country. Over the period 1971-1985, we invested 590 billion rubles, but the national income generated in the sector (in comparable prices) in the mid-eighties was at the same level as the beginning of the seventies.

Fortunately, the general secretary of the CPSU Central Committee has practical knowledge of our agriculture, he is well aware of its ability to spend without a return any imaginable volume of production resources. In the summer and fall of 1988, he referred several times in succession to an analysis of how feebly the capital investments committed there had been used, and he argued that without radical restructuring of the system of economic activity in rural areas, the problem could not be corrected merely by pouring in money.

On the whole, in this stage it has been a draw. The share of capital investments in the agroindustrial complex remains high, but stable.

First of all, a retreat is beginning along the front of the fight against alcoholism. In the budget approved for 1988, it was assumed that the revenues of the state from sales of alcoholic beverages would drop off 11.5 billion rubles. In actuality, they began to rise rapidly beginning in the summer (the increase for the year was 4.1 billion rubles), and in 1989 they left the records at the end of the period of stagnation far behind. But the financial disproportions that have taken shape are already so serious that hopes of eliminating them by these means are reminiscent of attempts to stop up a hole in an ocean liner with a bottle cork.

Gradually, the idea that the causes of the economic difficulties lay in the disruption of the circulation of money is making its way more and more. If the budget approved in the autumn of 1988 for the next year continued out of inertia the course of unrestrained growth of the deficit of state resources, by the end of 1988 and early 1989 we could note in economic policy a turn toward financial priorities. For the first time, there was a serious talk about reducing centralized state capital investments. Reduction of the burden of defense expenditures began to be viewed no longer solely as a long-range strategic task, but as a rigid necessity of life. Following a difficult struggle, success was achieved in finding at least a crumb of additional nonconvertible foreign currency to increase purchases of consumer goods.

Measures against inflation are natural and reasonable. Unfortunately, they have also been indecisive and tardy. There has not been the time, the will, nor the confidence of society to carry out a serious stabilization program.

The Populists Consider the Budget Bottomless

The drafts of the budget presented for approval of the USSR Supreme Soviet, and the reports which were supposed to lay out the content of the intended financial

policy, in the first years of perestroika, following the deep-seated tradition, were still drawn up so as to make them absolutely unsuitable or meaningful economic analysis. It is only since the end of 1988 and early 1989 that information about the real financial situation of the state, previously accessible only to an extremely small circle of insiders, finally became the property of glasnost. What even in 1987 was foggily referred to as financial disproportions took on the solidity of a budget deficit running to 100 billion rubles. The attitude of the solid Western economic press toward this piece of news was well-expressed by a headline in the journal *PLANEKON*: "The Unimaginable Financial Mess in the Soviet Union."

Everyone who is at all informed about economics understood clearly that the situation could be corrected only on the basis of a serious stabilization program that would make it possible to liquidate or at least sharply reduce the deficit in the state budget and limit the growth rates of the money supply.

The choice of the specific time frames for carrying out the anti-inflation program and the optimum combination of economic instruments used within its framework can and should be debated. But the fact that success in fighting inflation is determined above all by political support and only thereafter—by the professionalism of the specialists called upon, is well-known. The situation that took shape in 1989 left little hope of success in obtaining that kind of support.

The acute social problems, the profound dissatisfaction with the standard of living and living conditions rose to the surface. Those groups that for long years provided support for the shaky financial equilibrium were given instruments for applying pressure on the government through the elections of deputies, and they were not slow in taking advantage of them.

As late as March 1989, in the last effort of traditional fiscalism, an attempt was made to accomplish a kopeck saving by postponing to later dates the increase in the leave before childbirth, family supplements, subsidies for food in children's preschool institutions, and so on. Following the spring elections and the First Congress of People's Deputies, that line became impossible. The technocratic period in economic policy was coming to an end. The economic practice of populism was coming to replace it.

Budget expenditures for social and cultural programs are growing very rapidly. In the budget approved for 1990, their growth rates have almost doubled. And the appropriations outlined for the medium-term period have simply lost all connection with the capabilities of the economy.

The government is submitting the draft of the Law on Pension Coverage, which calls for increasing expenditures for these purposes by approximately 29 billion rubles per year. No one is clear about where that money is to come from—the projected rise in deductions for

social insurance will be a serious source of revenues only if there is no compensation for the rise in retail prices, which no one wants to talk about. But the resources allocated are scanty—a decision has been made to lower the high-jump bar to 41 billion rubles.

The decisions taken to improve the position of women and to protect mothers and infants cost 3.2 billion rubles a year, and those to improve the financial and living conditions of young students will cost 1.7 billion rubles. The Law on Employment which is being drafted, it seems, will cost the budget another 1.7 billion rubles a year, and then the Law on the General Principles of State Youth Policy is more expensive—4.2 billion rubles. The Law on Vacations will cost the budget 5.4 billion rubles, and another 5 billion will go to improve the financial condition of families with a per member income of less than 70 rubles per month.

In general, documents assuming an increase in state appropriations of almost 100 billion rubles a year are being accepted, proposed, and worked on. This is not counting one-time expenditures such as the 12-15 billion rubles for compensation of victims of repression rehabilitated and members of their family, as well as 16 billion for Chernobyl.

All important, necessary, and noble objectives. It is almost impossible to refuse those who defend the interests of each of the social groups. But this is the trouble: No one intends to pay for all this. After all, laws are being adopted side by side that reduce tax revenues from both individuals and enterprises. The new tax rates on profit, according to the first rough estimates, will reduce budget revenues by 20-25 billion rubles.

The clear and even hard line that divides what is economically possible from what is precluded, is becoming effaced for those making the crucial decisions, or else it is being erased altogether. And already the funds that are lacking are beginning to be shared out as though they were real resources.

At the beginning of 1989, a stormy discussion developed over the gigantic petrochemical construction project undertaken in West Siberia, whose cost, according to official estimates, was to be 41 billion rubles. The main and incontrovertible argument of specialists opposing the project was that the country did not have the financial resources, the foreign exchange, nor the material resources to accomplish it within an acceptable period of time. But look at the goal that had been proposed over the last 1.5 years for the transfer of those billions that do not exist in nature!

Instead of serving as the basis for financial stabilization, the measures, which are not on such a grand scale, to reduce ineffective and excessive expenditures and to mobilize additional budget revenues are only delivering rubles that are losing value into the bottomless barrel of redistribution.

Probably the first attempt in our country to solve the complicated political and economic problems of the generous issuing of money was taken at the beginning of the 17th century by Boris Godunov. As is well-known, it was not successful; on the contrary, it greatly intensified the expensiveness and shortage of produce....

Since mid-1989, union-level administrative authorities have been finding themselves with less and less room in which to maneuver. The domains of the economically necessary and politically possible are slipping away, they are simply ceasing to intersect. It is a good thing that the deputy chairman of the Council of Ministers has a guide to action on his desk—a relevant quote from V.I. Lenin: "If we succeed for a lengthy period of time, and later once and for all, in stabilizing the ruble—that means that we have won." The only pity is that in that case it came too late.

By the end of the summer, there was an evident readiness to accept the idea of a sharp reduction of centralized capital investments. But how was this to be done when it was already politically unthinkable to reduce even the most destructive and inefficient investments in agriculture, which would in turn take with them investments in resource sectors, cement, steel, fuel, and so on? To attempt to trim off relations in reproduction would simply mean adding financial disproportions to physical disproportions.

The center is ready to set aside foreign exchange to purchase consumer goods. Deliveries of them to the trade sector will finally be on the rise, restraining any further deterioration of the market situation. But there is no longer anything with which to pay for what we are buying.

An attempt is being made to somehow restrain the growth of money payments, a tax is being introduced on the growth of wages. But strong pressure from below is making so many breaches in this that this instrument instantaneously loses all economic meaning whatsoever.

When attempts were made before the Second Congress of People's Deputies to draft a politically inoffensive program, one that more or less would not hurt anyone, the calculations incorporated growth rates of the efficiency of utilization of resources and of the production of consumer goods which made it much more like a science fiction novel than an economic document.

Then the boundless optimism of the program for economic recovery was replaced by the virtually reckless predominance of the first variant of radicalization of the reform, the "crash" variant, which called for full-scale falling of prices, the transition from suppressed inflation to open inflation, and then, over the longer term—financial stabilization. And in just a few weeks it was replaced by the gloomy hopelessness of the next variant, which called for an administrative rise of retail prices that would cost 200 billion. But these were all just

rear-guard battles. The initiative, at least for a time, is passing into the hands of the union republics and local bodies of government.

From Prescriptions to Treatment

If they use it to engage in a decisive fight with their neighbors, with the center, for a repartitioning of the common pie, which is not very big, this will be a step toward further deepening of the crisis. As shown by the fight for control of the banks which has begun in recent days, the possibility of this turn of events cannot unfortunately be excluded. However, without agreement at least on the fundamental aspects, above all the monetary aspects, of policy, no turn for the better is possible. The objective needs of the interconnected union economy are today probably the most important factor working in favor of political compromises.

People have taken the helm of economic policy who are not burdened with responsibility for past mistakes. But they are also people who have not learned from their own bitter experience the full complexity of the problems at the level of the national economy, where the interests of the republics, sectors and branches, and social groups come together, are interwoven, and oppose one another.

The campaign programs of both those called conservatives and those called radicals contain a similar set of popular economic promises. Here, the resolute fight against inflation lives calmly side by side with the very rapid growth of centralized investments in the agroindustrial complex, radical transformations in the system of economic activity are being carried out in such a way that no one suffers from them, and social protection is on the rise at a time when taxes are dropping.

That is not the way it happens in reality. Economic policy is not a children's fairy tale in which all desires are fulfilled. If it is to be successful, it is not enough to want the good of the people. One has to be able to define the priority tasks precisely, to subordinate all the available resources to their performance.

It is easy to scold the government at this point, there is no risk in it, and it is politically profitable. However, preserving our objectivity, we also need to see that the main changes of direction in economic policy during the last five-year planning period were dictated by the best of intentions. The rise of domestic machinebuilding and the fight against alcoholism, the retooling of agriculture and the turn toward solving social problems are the most important tasks which a country has to perform. The trouble is that the efforts along all these lines have not been based on sober economic calculation, on an assessment of the real financial capabilities, that we were wildly counting the immense revenues that could be seen in the foggy distance, but did not want to think about what we would scrape together to pay for expenditures today, which are altogether real.

The financial crisis is not a disaster, but only a serious disease of the monetary system. It is moreover a disease

that has been well-studied and is quite treatable. The field of economic theory that is concerned with studying it has a reputation of being rather tedious: complicated and ingenious constructs created to fight inflation have repeatedly demonstrated that they are not viable, and the most reliable and effective prescriptions that science can recommend are very close to the elementary common sense of a sensible housewife, who understands that expenditures have to be brought into line with income in order to eliminate the crisis in the family budget.

The specialist who is looking on from the sidelines may say that sooner or later a society that has become tired of empty store shelves, ration cards, and racing prices, the chaos of a barter economy, customs barriers between oblasts, local scrip, and dollarization of the economy and ruble impotence, realizes that inflation has to be stopped. Then stabilization will be carried out on the basis of a combination of standard and well-known economic instruments (reduction of subsidies, capital investments, defense expenditure, administrative costs, higher taxes and higher interest rates on credits, devaluation of the national currency, temporary immobilization of savings, and so on), adapted to the specific domestic situation. And short of that the effort to hold back inflationary processes has no point: So long as the hope that has seized the masses of solving acute social problems by printing money remains a material force, the pressure for redistribution still cannot be withstood.

But it is only difficult to look on from the sidelines when your own state is involved. After all, experience also teaches us the price that quite often has to be paid for halting inflationary processes that have gathered their own momentum. It is known for a certainty how easily they can overturn democratic institutions that have not become consolidated.

I would like to believe that the leaders of our democracy now taking shape are able to soberly evaluate the situation, to use their authority to bring the boundlessly growing appropriations into conformity with the modest revenues of our state, strengthen the ruble, speed up the reform. There are no economic causes standing in the way of starting out on that road, of immediately beginning to carry out a stabilization program that in 1.5 to 2 years would make it possible to radically alter the situation in the economy. Everything depends on the political will of those who have the power and on the people's confidence in them.

From the Editors: The analysis of the economic situation which the paper is publishing does not lay claim to ultimate truth. It is a reflection of the view of economists and journalists concerning the state of affairs in the country, views which are possibly categorical and not in all respects indisputable, but dictated by the desire to understand the processes shaking our society, to think about the causes of the crisis and about possibilities of

getting out of it. The editors are counting on the participation of scientists, journalists, legislators, and all our readers in the discussion.

INVESTMENT, PRICES, BUDGET, FINANCE

Wisdom of Centralized Investment Cutbacks Debated

Negative Impact on Future Growth

904A0416A Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 5, May 90 pp 107-118

[Article by N. N. Seliverstova, candidate of economic sciences, Novosibirsk: "Investments During the 13th Five-Year Plan and Economic Growth"]

[Text] An alarming recent tendency has been the attempt to deal with ongoing difficulties by curtailing norms for production savings and the volume of production capital investments, which was foreseen by the 1990 plan. The continuation of the given course during the 13th Five-Year Plan is under discussion.

These decisions are the result of an attempt to decrease the urgency of social problems, to balance the consumer market and to normalize monetary circulation. At the same time, with the extremely complicated economic situation that has developed, the selection of a further development strategy must take into account both current as well as more distant consequences of the decisions that are made.

To make correct choices we should keep in mind that the problem of limited assets for capital investment is no less urgent than that of consumer goods. Usually the dynamics of capital investment are assessed according to data on financial investment resources.

But a monetary assessment of capital investments elevates their actual size. This is not the first five-year plan in which there has been a concealed increase in the cost of production; this trend has received a new impetus in recent years in connection with the transition of enterprises to cost accounting and self-supporting production. Investment complex products are subject to this to the largest extent. By juxtaposing the growth index for the introduction into operation of fixed capital in monetary terms and the average growth indicator for the introduction into operation of production capacities in natural form we may obtain an assessment of the pace of concealed price rise of capital investments. It comprises about 120-125 percent over the five-year plan. On its basis a number of combined indicators of investment activities have been reappraised. The results of the reappraisal in comparison to statistical data for five-year plans (in Ninth Five-Year Plan prices) are presented in Table 1 (percent).

Table 1

	Accounting data		Valuation minus price rise	
	10th	11th	10th	11th
Pace of growth of production capital investments	32	21	4.0	1.0
Savings of fixed production assets in national income	12 *	10 *	-14	-17
For the final year of the five year plan:				
norm for savings of fixed production capital in national income	10.0	8.1	8-9	5-6
share of expenditures to replace withdrawals in capital investments	22	34	37	65
share of expenditures to replace withdrawals in amortization for renovation	42	43	70	90

*In current prices

Further, Table 3 also presents valuations with the deduction of the price rise during the current five-year plan. The following came to light.

During the last 15 years production investments (in terms of capacity) have practically not increased. The appearance of growth was achieved completely by means of prices. The stabilization of real capital investment is the result of an absolute and significant curtailment in the actual scale of savings of fixed production capital, which has been seen in recent years even in statistical data. Corresponding to this is a decrease in savings norms for fixed production capital within national income that has been more rapid than according to accounting data. The result refutes the widespread notion of the underestimation of the actual savings norm by means of the price factor. Actually the redistribution of national income in favor of consumption has been observed for more than one five-year plan.

The elimination of the price component in statistical data reveals still another characteristic of the investment processes that have developed—actual expenditures for replacing withdrawals significantly surpass the monetary valuation of fixed capital being withdrawn. According to our calculations, at the present time compensation for withdrawals is more costly by a factor of 1.7-2 than withdrawn fixed capital. During the current five-year plan actually up to 60 percent of capital investments will be expended for replacing withdrawals (according to statistical data—about 30 percent, which creates the impression of the predominance of expenditures for expanded reproduction of fixed capital).

The amount of concealed growth in prices and the difference between withdrawals and the replacement of withdrawals are not the only factors that elevate actual growth in fixed production capital. Actually almost the entire amortization fund is being used to replace withdrawals. Consequently, already in the near future the problem of raising the amortization norm will arise.

Without real growth in production capital investments, in the course of several five-year plans there was a mass physical and conceptual aging of existing production equipment and a slowing down of technological development. A number of branches remind us of a "graveyard" of old equipment—ferrous metallurgy, transportation, the food industry, and a part of the building materials and light industries.

A natural consequence of this situation is the absence of any kind of improvement in production effectiveness indicators and a further drop in the pace of economic development. The tasks of the five-year plan are not being fulfilled even in terms of price indicators, which can be seen from the data presented below. The pace of growth of utilized national income equalled just 7 percent in 1986-1988. With a consideration of preliminary data for 1989 and of the plan for 1990 it is possible to predict its increase by no more than 14-15 percent during the five-year plan as compared to a planned 22 percent (Table 2).

Table 2

Pace of growth	1986-1988	1986-1990 (according to the five-year plan)
Utilized national income	7.0	22.1
Labor productivity	12.0	23
The capital-output ratio of the gross public product	5.4	8.0
Materials consumption of the gross public product (without amortization)	-0.4	-4.5
Energy capacity of produced national income	-4.1	-8.5
Metal consumption of the produced national income	-5.8	-14

Let us take into account the growth in prices per basic part of production comprising national income—consumer and capital investment goods in the sphere in which the latter are financed by means of savings. Data for the first three years of the five-year plan have shown that we should proceed from a price rise of about eight percent for consumer goods during the five-year plan. With a consideration of this and of the aforementioned price rise in capital investments the real growth pace for national income will equal no more than 12 percent.

Quotas for growth in labor productivity and for decreasing materials consumption in production are not being fulfilled. The observed slowdown in the growth of the capital-output ratio can be explained in part by the price effect—by the stronger influence of the current growth in prices on the statistical valuation of products in comparison with fixed capital, since the latter consist to a considerable degree of elements that were introduced in preceding years.

A drop to 2.3 percent has been noticed for the percentage withdrawal of obsolete fixed capital after its growth in 1986-1987 to 2.6 percent.

In order to demonstrate the national economic consequences of the course to further weaken investment activity, we have made a series of calculations on variants to develop USSR economy in 1991-2000 with special emphasis on the 13th and 14th five-year plans. Accounts have been calculated according to the enlarged dynamic multi-branch model of the national economy. The base year for the calculations is 1990, the indicators for which were determined on a preliminary basis by assessing the expected fulfillment of the five-year plan.

Calculations were based on a general growth of 10 percent in capital investments during the 13th Five-Year Plan (during the current five-year plan a growth of 23-24 percent is expected). Here the stabilization of production capital investments on 12th Five-Year Plan levels have been accepted, which corresponds approximately to the course approved by the Second Congress of USSR People's Deputies.

All growth in capital investments is being directed into the non-production sphere, where they are increased by almost 40 percent. Production capital investments have been distributed among branches in full accord with the policies of priority development of the consumer complex.

The pace of growth of capital investments in branches during the 13th Five-Year Plan comprised, in percent:

Capital investments—total	10.5
non-production	38.4
production	-1.3
including:	
Machine building complex	9.7
Fuel and energy complex	-10.0
Metallurgy complex	-8.1
Chemical-forestry complex	-7.1
Building complex	-13.7
Transportation and communications	-7.6
Agroindustrial complex	6.3
Light industry	95.3

Forestalling growth in capital investments in light and food industry were predicted—they are needed to carry out priority renovation with the goal of preserving and using agricultural raw materials more fully, of improving the quality of food products and of expanding the volume and assortment of consumer goods. Investments into machine building were increased to the degree allowed by the general investment limitations. Agriculture's share in production investments was retained at levels developed during the 12th Five-Year Plan, which signifies the stabilization of their volume within the branch. The price of the given distribution under conditions of general stabilization of capital investments is the absolute curtailment of investments in all other branches of the national economy, and first and foremost in fuel and energy, the building complex and transportation.

The possibilities for production growth in the future are being determined by the dynamics of the capital-output ratio of production (Table 3). We proceeded from the hypothesis about decreasing the growth pace of capital-output ratio in the gross public product to three percent for the five-year plan as compared to eight percent during the current five-year plan. This dynamic is very optimistic, keeping in mind unavoidable further aging of the production apparatus due to the expiration of the service period for fixed capital that was introduced massively in the late 1960's and early 1970's. Although in our calculations an increase in the percent of withdrawals of fixed capital to 3.1 percent by 1995 has been accepted as compared to the 2.9 percent expected in 1990, it is completely inadequate in terms of replacing a significant portion of obsolete fixed capital.

Table 3: Comparable Indicators of Future Economic Development

	1990	1995	Variants to the year 2000	
			A	B
Pace of growth, percent:				
of production capital investments	21.9	-1.3	0.0	21.0
of non-production capital investments	39.0	38.4	22.0	16.0
of national income (utilized)	15.0	14.1	10.2	13.5
of materials consumption of VOP [Gross public product]	-2.4	-3.0	-2.2	-2.0
of capital-output ratio of VOP	8.0	3.1	3.7	5.5
of products of subdivision I	13.3	8.2	5.5	12.4
of products of subdivision II	17.5	23.5	12.0	10.4
of fuel capacity of VOP	-4.0	-11.0	-5.0	-5.0
of energy capacity of VOP	1.3	-4.0	-3.0	-3.0
Norm for the saving of OPF [Fixed production capital] in national income	6.1	0.5	0.0	3.5
Percent of withdrawals of OPF	2.9	3.1	3.4	3.9
With the elimination of the price factor				
Pace of growth, percent:				
of national income (utilized)	9-11	10-12	2-4	4-6
of products of subdivision II	10-11	15	4	0-2
of production capital investments	2.0	-18.0	-17.0	0
of capital-output ratio of national income	1.0	-8-10	-4-5	-3-4
Proportion of replacement of OPF withdrawn in capital investments, percent	65.0	85-93	110-116	95-102

According to calculations, materials consumption decreases by three percent during the 13th Five-Year Plan as compared to the 2.5 percent assessed for the 12th Five-Year Plan. There is no reason to expect more with the absence of a radical technology for renovating production.

Growth of incomplete investments has decreased by a factor of almost two as compared to the expected levels for the 12th Five-Year Plan. Amortization norms for renovation have been increased an average of 18 percent.

Results of calculations show that according to final utilization national income will increase during the 13th Five-Year Plan by no more than 14 percent, production in subdivision I (means of production) will increase by eight percent and production in subdivision II (objects for non-production purposes) will increase by 23 percent. The savings norm for fixed production capital in national income will decrease to 0.5 percent in 1995. In this way, even from the point of view of examining price indicators the conclusion that may be drawn is that there is a stabilization of general production growth accompanied by considerable delays in the development of the means of production.

Some acceleration in the growth of consumers products during the 13th Five-Year Plan is being achieved thanks to the inertia of preceding development of the means of

production; moreover, the inertia is supported by means of the redistribution of existing investment assets in the branch for the production of consumer goods. A delay in the development of production assets has not yet had time to affect consumer goods' production in the given five-year plan (although in part it is letting itself be felt).

The results of calculations include the price component because we used statistical information on existing tendencies in development. There is no reason to assume that prices will decrease in the near future. If concealed growth in prices remains at the level of the preceding five-year plan, real growth in national income will comprise approximately 10-12 percent per five-year plan, and real growth in products for non-production purposes—about 15 percent (without considering housing).

Thus, the course toward decreasing growth of production capital investments during the 13th Five-Year Plan does not secure considerable real growth in consumer goods and does not solve the enormous problems of growth in consumption. At the same time it undermines the possibilities for continued economic development. From calculations it follows (Table 3) that this course corresponds to the practical reduction of the investment potential of expanded reproduction. This is attested to by the curtailment almost to zero of the size of savings of fixed production capital (using the hypothesis about a

uniform dynamics for capital investment during the years of the five-year plan). In this way, the tendency to decrease the savings norm that has been observed in the national economy is reaching its limit in this prognosis—almost all national income assets used for the development of the production apparatus are being redistributed to satisfy the current demands of the population. Allowing for a growth in prices the real volume of production capital investments is being curtailed by no less than 18 percent per five-year plan. In this case up to 90 percent of capital investments will be expended to replace fixed capital that is being withdrawn. With the mass aging of the production apparatus, growth in the degree of replacement of withdrawn fixed capital accepted for the five-year plan will be compensated for primarily by individual physically worn-out elements of operational technology; therefore the consequence will be the simple maintenance of these technologies or at the best instance their partial improvement. Assets for total replacement of technology and for expanding the production apparatus are extremely small—not more than 10-15 percent of the total volume of production investments. Actual growth in fixed production capital on this basis will comprise 1-3 percent per five-year plan.

Under these circumstances the growth in consumer products obtained in calculations should be seen as very intensive and evidently as the possible maximum.

If we compare the actual increase in fixed production capital and the growth of national income without the price component it is easy to see that the actual condition for this growth during the 13th Five-Year Plan is an absolute decrease of the capital-output ratio of about 8-10 percent in national income for the five-year plan (after its real stabilization during the 12th). The possibility of some improvement in the dynamics of capital-output ratio during this period is related to the structural restructuring of production in favor of relatively smaller capital-output ratios in branches of subdivision II. According to our assessment this may decrease the general capital-output ratio by 3-4 percentage points. However, the achievement of such extensive growth of return from the available production apparatus without its thorough qualitative transformation is far from apparent.

We should also keep in mind that in the future capital-output ratio will grow by means of the exhaustion of a whole number of locations of mineral deposits and of the transition to new, less efficient and more distant locations; it will also grow through the extensive development of natural conservation measures in connection with the urgency of the general ecological situation in the country and the industrialization of agriculture, construction and a number of other branches. Unfortunately, we do not have at our disposal a well-grounded assessment of the need for investments to implement natural conservation measures. In 1989 an assessment was published that was obtained in the course of developing a draft of the State Program for Environmental Conservation to the Year 2005, in accordance with which 131 billion rubles will be required during this period to stabilize the ecological situation. This assessment seems extremely low to us. But even if we consider that it will encompass only priority measures, according to our calculations this would mean a relative increase in national-economic capital-output ratio, all else being equal, of no less than 2-3 percentage points per five-year plan (in monetary terms). With a consideration of the above our calculations actually include a proposal on the presence within the economy of internal reserves for production growth on the basis of the existing production apparatus and on the mobilization of these reserves on the basis of new management forms, the expansion of market relations and the development of initiative from below.

Of special concern is the curtailment of investments in the fuel and energy complex that is characteristic of the strategy of capital investments we are examining. With the expected mass withdrawal during the 13th Five-Year Plan of fuel sources (especially oil) and with the extreme obsolescence of electrical energy fixed capital, this can result in a sharp delay in the growth of energy production. The pace of production growth in the fuel industry can be curtailed by 2-3 percent per five-year plan and in electrical energy—by 11-12 percent. This dynamic can be balanced with general growth in production in the variant under examination only if there is a great decrease in energy consumption of no less than 10-12 percent per five-year plan, which considerably surpasses the existing pace (Table 4).

Table 4

	1971-1975	1976-1980	1981-1985	1986-1987
Pace of growth of energy consumption of the gross public product, percent	-7	-4.3	-3.4	-2.9

The way to decrease energy consumption is to replace equipment. This is attested to by special calculations to assess the influence of contemporary technical progress on national economic effectiveness as well as by world experience. Under conditions of an actual curtailment of capital investments during the 13th Five-Year Plan there is no opportunity for a technological renovation of the production apparatus in the

most important energy-consuming branches (transportation, metallurgy, electrical energy). These enterprises are becoming, first and foremost, the objects of decreased investments. For this reason the energy complex may become the source of interbranch disproportions, which will not enable us to fully utilize opportunities, even with an available production apparatus, and will hinder general production growth.

Similar negative consequences can arise from a curtailment of capital investments into transportation, keeping in mind the urgent need to renovate this branch.

Branches of the investment complex will find themselves in difficult conditions. For ferrous metallurgy, one of the branches with the most obsolete fixed capital, the probability is great that it will not be able to even maintain the achieved level of withdrawal of fixed capital. Further reproduction of the branch's production apparatus will be possible primarily on the basis of capital repairs, which developed excessively long ago. Technological renovation will be delayed to a more distant future.

Without increases in capacities for the industrial construction base and without technical reequipping of building organizations the branch will be threatened with cancellation of the program to introduce production objects into operation and to begin large non-production building planned for the 13th Five-Year Plan. Already today the introduction into operation of many forms of building technology only covers withdrawals.

The essence of the problem does not lie in the shortcomings of branch redistribution of capital investments that was made the basis for our calculations for the 13th Five-Year Plan. It is easy to think that it is impossible to find a branch from which it would be possible to redistribute capital investments without losses to general production growth. The problem has to do with the low general volume of capital investments which is hindering even current production growth in the course of the 13th Five-Year Plan itself.

Recently, reservations have been expressed in the press—in the future will it be possible to eliminate the consequences of decreased production investments, and won't this be reflected in subsequent economic dynamics? In order to analyze the more distant consequences of stabilization of production capital investments during the 13th Five-Year Plan calculations for this variant were continued into the 14th Five-Year Plan. There are grounds for the reservations. We carried out two calculations for the 14th Five-Year Plan (see Table 3). In variant A production capital investments have stabilized. Most likely this would be predetermined by the delay in the development of the investment complex during the preceding five-year plan. With a consideration of investment lags, even if development measures are implemented during the 14th Five-Year Plan they will provide a return primarily after the plan's completion. Since the given volume of investments is clearly inadequate for the development of the production apparatus, the condition of the latter will worsen. Under these conditions there is no reason to expect increased production effectiveness, and for this reason the following hypotheses have been made: the capital-output ratio increases at practically the same pace as during the preceding five-year plan (3.7 percent) and materials consumption decreases two percent per five-year plan.

A very favorable hypothesis has been made on preserving, in the 11th Five-Year Plan, the incomplete construction undertakings from the preceding period. In principle it may turn out that during the next five-year plan incomplete construction undertakings will be exhausted. Then capital investments for the given period will not secure the corresponding introduction of fixed capital.

Under these conditions the pace of growth of national income will decrease to 10 percent per five-year plan, and of products for non-production purposes—to 12 percent (in monetary terms). With a consideration of a price rise this will comprise about 2-4 percent, which means the stabilization of per capita production and consumption. The real volume of production capital investments (without the price component) will decrease by no less than 15 percent as compared to the 13th Five-Year Plan and by 30 percent as compared to the current five-year plan. Capital assets will not suffice even to replace withdrawn fixed capital. A curtailment of the production apparatus will begin at a rate of no less than by 3-5 percent per five-year plan.

A condition for even low production growth such as in this calculation will be an increase in real return from the production apparatus of about 4-5 percent per five-year plan. After reserves from the existing production apparatus are mobilized during the preceding five-year plan it is difficult to expect growth in the return on capital without a massive renewal of fixed capital. For this reason we cannot rule out that during the 14th Five-Year Plan without growth in capital investments, an absolute decrease in per capita consumption may begin.

In Variant B the transition during the 14th Five-Year Plan to a policy of increasing production capital investments for beginning production renovation has been calculated.

Since structurally the national economy will not be ready for this, this policy cannot objectively yield rapid results. Its implementation presupposes the preliminary increase in investment complex capacities by means of additional investments. Only as this happens will it be possible to begin the renovation of the country's production apparatus (primarily beyond the time-frame of the 14th Five-Year Plan).

Calculations (without a consideration of investment lags) have shown that in such a case it would be necessary to increase general assets for capital investments by a minimum of 20 percent. Moreover, their redistribution in favor of the investment complex would sharply decrease opportunities for providing investments for branches of the consumer complex. A redistribution of capital investments from the non-production sphere to the production sphere would also be required. As a result it would not be possible to preserve the growth pace in non-production building that had been achieved during the preceding five-year plan. The general volume of

production in subdivision II (without the inflation component) is for all practical purposes stabilized on the level of the preceding five-year plan.

In the given instance the inertia of production is working in the opposite direction—production growth requires the preliminary acceleration of development of the means of production, which form a new technological system, and only with some lag in time this can achieve accelerated growth of consumer goods (already beyond the time frame of the period under examination).

Thus, if the course to curtail real capital investments continues into the 13th Five-Year Plan, this will result in an almost complete curtailment of real economic growth and an improvement in the well-being of the population during the 14th Five-Year Plan regardless of subsequent economic strategy.

The results that have been obtained urgently pose the problem of an alternative development strategy during the coming plan period. It presupposes a maximally possible development of investment operations already during the 13th Five-Year Plan with the goal of increasing assets for the subsequent technological renovation of production and of the implementation of extensive non-production construction that is so long overdue in the country.

Present Reductions Necessary

904A0416B Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 5, May 90 pp 119-121

[Article by V. I. Suslov, candidate of economic sciences, Novosibirsk: "From Extrapolation to Real Assessments"]

[Text] N. N. Seliverstova's conclusions are based on calculations carried out with the use of a macroeconomic dynamic model. The degree of adequacy of the conclusions is determined by the quality of the given model. It does not take much effort to point out its weak points.

In the model a central role is played by relations that express the dynamics of fixed capital depending on investments and the level of withdrawal. By virtue of the linear aspect of these correlations and the high level of aggregation the parameters of output-capital ratio turn out to be the same for all components of fixed capital—for both the newly created as well as for that which is subject to withdrawal. Thus any attempts to curtail the volume of production investments (beginning with a certain "optimal" level) and to raise the norm for withdrawing fixed working capital are a "direct hit" against the pace of growth and in the final analysis against the level of well-being. From this we have the conclusions concerning the extreme undesirability of increasing the consumption norm within national income (curtailment of investment volume) and the "immovability" for the national economy of high norms

for withdrawing fixed capital. But there is reason to believe that the relationship is directly the opposite.

In our country we have enormous investments into "nothing" ("projects of the era," long-term projects, capacities to produce products not needed by anyone and sometimes harmful, fixed capital that exceeds all reasonable and unreasonable norms for physical and intellectual wear and tear). The curtailment of these volumes, measured in the tens and hundreds of billions of rubles, will sharply improve the country's economic situation if, of course, we do not "cut" investments uniformly in all directions and if we do not "throw" workers into the street after shops and enterprises close.

For example, let us look at the thesis about the need for additional investments in machine building. The figures convincingly illustrate the very low level of satisfaction of the national economy's demand for many products from machine building. However, that same branch of the national economy produces an enormous quantity of unneeded products—tractors with combines that have received the name "decorated metal scraps," universal metal-cutting machine tools from the DIP [period characterized by the slogan "To overtake and surpass"] period and so on. In general no one denies this. Under such conditions internal "conversion" is capable of significantly decreasing the need to increase general production volume and additional investments.

N. N. Seliverstova makes a serious argument in support of the impossibility of making abrupt changes in the model's parameters. Actually a retrospective analysis of national economic effectiveness shows that in our history there have not been periods with any sharp improvements. This means—here the conclusion is drawn—that we should not expect such improvements in the near future either; we must be realists.

We hardly need proof that when we can expect a radical restructuring of the economic mechanism, methods of simple extrapolation may not suffice. Radical economic reform is called upon to begin those processes that will lead to optimum growth of economic production effectiveness; it is not reduced to calculations and "the introduction" into the national economy of "optimal volumes and proportions." The hypothesis of the unattainability of a noticeable improvement in effectiveness indicators actually negate the possibilities for a radical restructuring of economic relations. The article is actually devoted to an analysis of the consequences of a blow to economic reform in our country. These consequences, as convincingly shown, are very deplorable. This once again underscores the fact that there are no alternatives to perestroika.

Technically it is not difficult to build models that more precisely reflect investment processes. But in a transition period precise quantitative valuations evidently are somehow impossible and are hardly needed for making

decisions. Desired improvements in the economic situation can occur only under conditions of commodity-monetary relations. The main question of all state policy, including investment, is therefore reduced to achieving a transition to a market economy.

In the case of success of economic reform the participation of the state in investment policy must be reduced to a necessary minimum. But during the transition period the role of the state in the investment process obviously should be significant. What is this role? What are the directions of state investment policies during the period of economic reform?

The directions of capital investments financed by the state should include the development of new job slots (renewal of the production apparatus, stimulated by market criteria, can result in loss of employment by tens of millions of workers in the national economy), maintenance of the necessary production volumes for consumer goods and an acceptable level of sales prices (not excluded is that fact that in this area commodity-procurement measures can suffice in terms of state policy), the development of information networks and the saturation of the national economy with contemporary means of information processing (it is within this area that lags behind world levels are most significant), and finally, the intensive development of science, culture, education and medicine.

I cannot insist on the proposed list of directions for state investments during the reform period. But in any case, in discussing state policy measures it is essential to speak of specific programs and their priorities and parameters. The time in which the state totally encompassed economic life is passing into history; the era of the state plan is ending. The state budget, encompassing an insignificant part of national income, should remain the only plan document, and the plan work of state organs should focus on creating a foundation for budget articles and the development of programs that correspond to expenditure articles.

Research similar to that presented in N. N. Seliverstova's article could be of undoubted interest with a more unfettered model. It provides an assessment of prospects for development, delineates the spectrum of possible outcomes and singles out conditions under which specific development variants are implemented.

COPYRIGHT: Izdatelstvo "Nauka", "Ekonomika i organizatsiya promyshlennogo proizvodstva", 1990.

Social Protection Against Inflation Studied

Tax Exempt Retirement Savings Proposed

90440370A Moscow *EKONOMIKA I ZHIZN*
in Russian No 20 May 90 p 4

[Article by M. Goryachev and V. Balandin, candidates of economic sciences: "Protection Against Inflation. Income Indexation: To Whom, How and How Much?"]

[Text] Today, one increasingly hears calls to introduce general income indexation. The concept is as follows: if during a given year the rate of inflation reaches 10 percent, at the end of that year workers' wages must automatically rise by the same 10 percent. On the surface, this idea looks good; it is accessible and clear.

But reality is not so simple. The experience of some countries has shown that general indexation can actually become a factor in the escalation of inflation, or an inflationary spiral. The inflation rate in the base year will automatically pass into the next year. In addition, if incomes of all groups are indexed to inflation, income differentials will increase.

Let us illustrate these points on the following example. Let us assume that initially wages of two workers were R100 and R200 a month. Thanks to an inflation rate equal, say, to 10 percent, their wages will rise to R110 and R220, respectively. Thus, the gap in incomes will widen from R100 to R110. The following year, the gap will grow further. Instead of protecting the poor, indexation may set them further back in the social pyramid.

In addition, general indexation of incomes will inevitably trigger increases in business costs, since one of their components—i.e., wages—will rise. Cost increases will lead to lower profits and, once enterprises react, to price increases. Inflation will thus constantly intensify and general indexation may ultimately cause the position of all social groups to erode. It is not an accident that many Western economists and politicians think that it is not a way to stop inflation.

What is the conclusion, then? Apparently, we can only speak of partial indexation. In other words, of changing incomes only for some groups of population, and of providing some social assistance.

Partial indexation—i.e., indexation for incomes of less affluent social groups—presents its own problems, of course. How should it be implemented? If we index incomes of lowest paid workers, the minimum income level will rapidly catch up with the middle level. This is a pure case of so-called income equalization. It is doubtful that this will create incentives to work for both low- and middle-income groups.

For this reason, we propose to base indexation for low-income citizens on a minimum consumption basket calculated based on minimum incomes. In short, we are talking about the sum total of expenditures needed to care for basic human needs. The sum must include minimum expenditures on food, enough to satisfy the physiological requirements of the family and maintain the physical condition of its members. Of course, to live normally people need consumer goods as well: clothing, footwear, cultural and consumer goods, etc. These also should be included into the consumer basket.

Clearly, in an inflationary situation, income indexation for low-income groups based on the minimum consumer basket will not be equal to the rate of inflation, since the

basket includes a limited assortment of goods and services. For instance, it will not contain cakes, hard salami, haircuts at cooperative hair salons, etc. Prices of such goods and services are subject to greater fluctuation. We must look for other forms of social compensation to bridge the gap. In our opinion, it should not be bridged by cash payments. Experience shows that in this case there is a lure to spend the money on different things from what society originally intended.

We should think of another form of social compensation to citizens who are ready for retirement. We mean private savings at the state bank on retirement accounts. Money deposited on such accounts should not be taxed. Savers could use their money upon reaching the retirement age or in case of disability. Given the long periods of time involved, such deposits should be indexed to inflation. In essence, it will become a form of personal insurance. The ability to pass such accounts on to heirs should guarantee the deposits' safety.

We think that such retirement accounts could help us solve a number of problems: first, they will tie down a portion of money incomes of the population in long-term savings accounts, which is especially important today; second, they will attract consumer funds to build up retirement funds and, third, they will increase incomes of retirees.

Cost of Living Index Under Review

904A0370B Moscow *EKONOMIKA I ZHIZN*
in Russian No 20 May 90 p 4

[Article by I. Pogosov, USSR State Committee for Statistics first deputy chairman: "Protection Against Inflation. Income Indexation: To Whom, How and How Much?"]

[Text] Until recently, state price controls more or less protected us against inflationary blows and provided social security for the population.

But shifting to a market economy, when extensive controls by the state over prices become impossible, we will need different measures. They include, in particular, income indexation, i.e., state subsidies paid to the population to compensate it for higher prices of goods and services. Under these conditions, correct determination of the price index for services and consumer goods becomes vitally important. The index should reflect the impact of price changes on the purchasing power of money and be, in essence, the barometer of socioeconomic life of the country.

Income indexation, in different forms and to a different degree, is necessary for almost all groups of population.

To what extent should incomes be indexed?

They can be indexed fully, i.e., exactly in line with changes in the consumer price index.

But the greater the indexation, the more difficult it is to combat inflation. The purchasing power of the population remains unchanged, which means that prices will continue to rise. For this reason, full indexation is not used in any country. Partial indexation is more common, offsetting only a certain proportion of changes in the price index.

What should be indexed? Minimum incomes, fixed incomes, or pay rates?

Subsidies to offset price increases are not directly linked to the expenditure or results of labor. This is why by indexing mostly minimum incomes we will return to equalization which we have been combatting for so long. **It is preferable to index the compensation fund, including bonuses** paid out of profits. Employees of some enterprises have long learned to squeeze profits—as well as higher wages—by hiking prices for their output. This is why when indexing nominal wages we must think of factors causing them to grow. Indexation methods should not disrupt the role of wages as an incentive for work.

Wages in the government sector are fixed. But in non-goods-producing industries, wages should not fall sharply behind those in goods-producing industries. This is why incomes of employees in the government sector are also indexed the world over, based on two indices: the consumer price index and the index of wages in goods producing industries.

Retirees need a separate mention. A year ago a study of consumer incomes was conducted. One third of retirees without wage earners in the household had incomes below the poverty line. Due to intensifying inflation, they are even worse off today. They consume 1.5-2 times less food products than persons in the same social group earning over R150 a month.

If inflation is moderate, a single coefficient should be used in indexing, preventing income equalization in pensions. But at higher inflation levels, we will have to develop special coefficients.

Another group of the population whose living standard is below the poverty line is large families. It has some 20 million people, accounting for 60 percent in the total number of poor. With the birth of a third or subsequent child, the family usually falls to the poverty line and becomes a candidate for the ranks of the poorest groups of population. Clearly, if inflation is high, public assistance becomes indispensable.

Young families are also going through hard times. The share of the poor in such families is approximately 1.5 times higher than in the country overall. Social protection for such families is one of the core goals of income indexation.

How to pay for indexation?

Outlays for indexation may come from enterprises or from the state budget (for employees of government

sector entities and the disabled). Indexation should be applied only to those groups whose nominal personal incomes fall behind price increases or are unchanged.

How often should indexation be conducted? This depends on the rate of price increases. If inflation is relatively low, longer intervals are preferable, such as a quarter, six months or even a year.

The consumer price index is needed not only to assess existing price movements but to forecast price changes under market conditions.

Indexation can rely on indices of real prices and rates which the USSR State Committee for Statistics started to compile in 1989 based on a new method. (This weekly publication reported this in its No.11 issue this year).

General indices for the country as a whole or for different regions show the average living standard of the population. However, people of different ages, income levels, family status, etc., buy different kinds of goods which change in price differently, too. This is why the general index covering the volume and structure of the entire domain of goods and services does not accurately describe the impact of prices on the cost of living of different population groups. In particular, statistics stubbornly show that older people spend a greater share of their income on medicines. The general price index does not take this fact into account at all. Clearly, to index incomes of different population groups requires separate indices. They will reflect changes in the cost of the baskets of consumer goods consumed by those groups.

Let me remind you that baskets of consumer goods include goods and services purchased by members of particular socio-economic groups. Accordingly, their price indices reflect the impact of their price changes on the cost of living of those particular groups.

The poverty level is one of the main factors describing the living standard of the population. It is the basis for calculating how many people live in poverty. This is why the poverty level should be one of the most important tools in devising social protection measures.

There were 41 million living in poverty in 1989 (with monthly incomes below R81 per person), or 14 percent of the population; 71 million, or 25 percent, made less than R100 a month.

The cost of the minimum consumption basket rises as a society becomes more prosperous. Since it is the basis for setting minimum wages and pensions, it must be reviewed regularly.

The choice of prices is of crucial importance in computing the cost of a consumer goods basket. It must reflect the picture really facing members of that group. (If a mother of seven has to pay extra for food, this price, and not the state price, should be used to compute the basket.) Statistics have long ignored such details.

In general, indices of prices for representative consumer goods and services computed for the country as a whole should be brought into line with indices of prices of goods and services for different family budgets based on their income levels. (The representative good covers the entire range of styles, makes and brands of certain types of goods which are identical in their consumption functions.)

To do so, we need data on consumer goods and services baskets for families that differ in their income levels and prices they pay. The first step could be to combine data on consumer budgets and indices of representative goods which are being developed separately based on retail data.

Calculations based on the 1989 data show that while the overall consumer price index rose two percent, the cost of the minimum consumer basket rose four percent, and prices and rates of goods and services consumed by retired factory and office workers rose 2.5 percent.

Scientifically calculated indices of real prices of consumer goods and services, besides determining general price movements, will help us solve two major problems. On the one hand, these indices will serve as a basis for creating offsets for the declining purchasing power of the ruble and maintaining existing real income levels, as well as indexing consumer deposits at savings banks.

On the other hand, the system of offsets must not lead to payment of unjustified subsidies.

Commercial Banking Activities Reviewed

904A0369A Moscow *EKONOMIKA I ZHIZN*
in Russian No 20 May 90 p 10

[Article by economists S. Rodionov and S. Loshchatova, "For Whom the Commercial Bank Works?"]

[Text] *Commercial banks are a relatively new and fast growing component of the USSR banking system. What are the early results of their work?*

Contrary to accepted belief, commercial banks do not mainly serve cooperatives: they make over 88 percent of their short-term loans to state enterprises and organizations and only 10 percent to cooperatives. Loans are made mainly for a period of one to three months. The share of past-due short-term loans in the total volume of loans amounts to 1.3 percent. Many banks, nervous about the general situation in the economy, do not issue loans for longer than six months.

What interest is charged on such loans? There is a wide range of variations here. The level of interest rates greatly depends on individual factors, such as trust for the client. Clients who are also shareholders of the bank get low-interest loans. In general, minimum interest rates fluctuate around seven percent on short-term loans and 15 percent on long-term loans. Absurd interest rates are seen sometimes, such as 980 percent per annum. Loans

to state enterprises are issued for almost any purpose, including some which specialized state banks are forbidden to finance.

For instance, the "Drevmash" bank often lent money to its shareholder, the "Drevmash" production association, which put down 60 percent of the bank's statutory capital. The loans were used to cover financial shortfalls of the association itself and its affiliates, even to meet payroll deadlines. This even though the client was short of its own operating funds, some of which were used for above-plan reserves. Naturally, those loans were not repaid on a timely basis.

It should be noted that the share of long-term loans in the total assets of commercial banks has shrunk even as the total volume of long-term loans has grown, from 22.5 percent in October 1989 to 14.5 percent in February 1990. Long-term loans to state enterprises and organizations amounted to 11 percent of total assets of commercial banks, to kolkhozes—0.08 percent, to consumer cooperatives—1.9 percent, to cooperatives—1.4 percent and to other organizations—0.12 percent. The share of delinquent loans was tiny, since banks had been in operation a relatively short time, or less than 1.5 years.

A typical long-term loan is issued for one to two years. Longer term loans are extremely rare, only when funding innovative high-risk projects. For instance, some one third of all long-term loans given by Moscow banks were issued by the Moscow Innovation Commercial Bank.

An extremely large share of commercial banks' assets consists of loans to other banks. Such transactions are the core of the credit market that is being built in this country. Commercial banks are the largest players in such markets. Although their resources account for less than 0.5 percent of all banking system resources in this country, banks are responsible for 35.8 percent of such credits, whereas the State Bank is responsible for only 16 percent, the Savings Bank for 27.2 percent, the Industrial Construction Bank for 2.1 percent, the Agro-Industrial Bank for 0.3 percent and the Bank for Housing and Municipal Services and Social Development for 18.6 percent. In Moscow, the "Izdat-Bank," the Construction Materials Industry Bank and the cooperative bank "Stolichnyy" are mainly involved in this business.

Specialized state banks take almost no loans from commercial banks. Consequently, all loans issued by commercial banks went to other similar banks. These accounted for 33 percent of all loans taken by commercial banks. This means that they got the remaining 67 percent of their loans from the state credit fund. In ruble terms, it amounted to R3.2 billion. Such loans were mostly for a period of one year, at five percent per annum.

Commercial banks made large investments into enterprises and organizations, mainly their immediate economic partners such as shareholders, customers, affiliates, joint ventures set up by them, etc. Even though in the total volume of banks' lending operations such

investments represent no more than two percent in the country overall (and five percent in Moscow), the share of commercial banks in the total volume of such transactions by all USSR banks amounted in January 1990 to 22 percent and in February to 35.4 percent. These figures can lead to different conclusions.

For instance, "Partner-bank" invested almost all of its funds into enterprises, organizations and cooperatives without making a single loan. Some of the enterprises it set up have already been liquidated, the joint venture "Lokos" being the most salient example. The bank is responsible for the liabilities of those enterprises while it also owes money to other banks, mainly to specialized state banks, totaling 86 percent of its resources. Such policy may not only cause the bank to fail but trigger a chain reaction, destroying confidence in the entire commercial banking system and worsening the monetary situation.

And what about liabilities of commercial banks? Let us look, for instance, at what their statutory capital consists of.

In the country overall, 20 percent of all commercial banks have increased their statutory capital compared to what they announced when they were first registered. The largest increases occurred at Ufa's cooperative bank "Vostok" (30 times), and Moscow's cooperative banks "Stolichnyy" (11 times) and "Partner-Bank" (12 times). It should be noted that in most cases increases in statutory capital were not recorded properly. Commercial and cooperative banks did not provide regular information to the USSR Bank Board about changes in their statutory capital. Consequently, such changes were not recorded in the state registry and official levels of statutory capital did not correspond to the true state of affairs in 80 percent of cases.

Some 70 percent of all commercial banks have not fully paid down their reported statutory capital. Commercial banks in the Georgian, Ukrainian and Uzbek SSR had considerable shortfalls in their statutory capital at the end of last year. Over half of the banks in those republics which registered their statutes are yet to start functioning.

Causes for failing to pay down their statutory capital in time include, according to the banks, delays by shareholders in paying down their shares of capital, difficulties with office space and problems with finding qualified personnel. Selected data indicates that an average of two months usually has to elapse between the time a commercial bank is registered and when it begins its lending operations, which is, of course, very long.

Comparisons of the funds banks attract, their own funds and, most importantly, their statutory capital, have shown that practically no bank has reached the established ratio of 1 to 20 and 1 to 12, respectively, for commercial and cooperative banks. This is mainly explained by difficulties in attracting clients' accounts, lack of proper trust on the part of economic entities for

the new type of banks and considerable doubts on the part of cooperative and commercial banks themselves that it makes business sense to attract funds from enterprises and expand operations in full, given the unstable general economic situation.

In January-February 1990, statutory capital amounted to just 15 percent of liabilities of commercial banks. (The "Izdat-Bank" had 41 percent and "Elektroprivodbank" 100 percent.)

A considerable share of commercial banks' resources, or 28 percent (30 percent in Moscow), is comprised of time deposits and accounts belonging to enterprises, organizations and cooperatives. This is explained by the fact that commercial banks want to attract such funds to stay liquid. Among Moscow banks, "Tsentrkredit" and "Moskombank" have achieved the best position: the share of time deposits and accounts in their overall funds amount to 77 percent and 56 percent, respectively.

The large share of loans from other banks in the total volume of commercial banks' funds is troubling. In the country overall, it is 27 percent, and in Moscow over 30 percent. At the end of last year, at such banks as "Stroyinvest," "Partner-Bank," the Construction Materials Industry Bank and the "XXI Vek" development bank, over 70 percent of their total resources came from loans from other banks.

It should be noted that some clients get loans from both specialized and commercial banks. Given the lack of information on the true financial state of the borrower, such actions undermine the banks' ability to control what purpose their funds are used for and how they are secured; it is even possible for different banks to make loans with the same collateral.

For instance, the "Krasnyy Bogatyr" production association failed to carry out its obligation to reduce the backlog of goods. The Industrial Construction Bank decided to call its R1 million loan. But the association applied to a commercial bank, "Neftekhimbank," and obtained a loan there using the same goods as collateral.

This situation is caused by the lack of a unified computerized record of banking transactions controlled by the USSR State Bank and of a data base on commercial banks' clients, the state of their books and their business and financial activities. Of little assistance is the fact that more than 10 large commercial banks in Moscow have opened correspondent accounts with the USSR State Bank Board (at the department responsible for state budget revenues) and removed themselves both from city and republic account books and from under the control of the Moscow City Administration of the USSR State Bank.

The commercial banking system knows cases when major shareholders established monopoly control over the activities of the bank, forcing it to engage in economically unprofitable and even illegal transactions. One such example is the Georgian bank "Sakartvelo," which

fell under full control of the Georgian consumer cooperation and was forced to issue unsecured and unrepayable loans to it. The shareholder itself was some 70 percent short of norm in its statutory capital and had huge past-due loans from the bank. Meanwhile, the bank suffered losses, its expenses exceeding its revenues by a factor of two. "Progress-bank" issued a no-interest unsecured loan to its main shareholder amounting to over R8 million. The list of similar examples can be continued.

Analyzing the work of commercial banks, one must note the poor quality of bookkeeping services at many of them. Bookkeeping departments often make simple mistakes and mix up assets and liabilities, as it happened at the "Avtotransdor" bank and the Construction Materials Industry Bank. Many mistakes in calculations have been found, when total assets did not equal total liabilities. For instance, at the cooperative bank of the city of Sochi assets surpassed liabilities by R8.1 million.

Spot checks at 112 commercial banks have shown that one out of ten of them carry such errors on their balance sheets. All summed up, the assets of the 112 banks appeared to exceed their liabilities by R10 million.

Who are the clients of commercial banks? The number of clients served by the average bank is 186 a year for the USSR overall, or 14 clients per bank employee. Clearly, the work load of the commercial bank employee is much lighter than at some specialized state banks. This even though salaries at commercial banks are 1.5 times higher (those of commercial bank managers two times higher, on average) than at specialized banks.

What are financial results at commercial banks? One cannot quite call them satisfactory looking at past periods. Studies have shown that if all commercial banks paid dividends to their shareholders based on the average interest rate level on their liabilities, after paying taxes on profits (60 percent, or 48 percent taking into account the tax exemption on 20 percent of profits taken as reserves), banks would have suffered some R55 million in losses.

Actually, this was the reason why dividend payments differed so much, ranging from 17 percent at "Kredit-Moskva" and six percent at "Moskombank" to zero at most other commercial banks in the country.

This brings us to the need to develop a system of differentiated tax rates based on the effective use and purpose of the bank's capital, time in operation and special characteristics of the bank's activities. It seems that the banks themselves, or their unions and associations, could undertake this work.

REGIONAL DEVELOPMENT

Interrepublic Trade Imbalances With Baltics Discussed

904D0203A Moscow LITERATURNAYA ROSSIYA
in Russian No 31, 3 Aug 90 pp 2-4

[Article by V. V. Miloserdov, doctor of economic sciences, professor, corresponding member of the All-Union Institute of Agricultural Sciences imeni V. I. Lenin, economic adviser to USSR Gosplan: "Oh, It's This Balance: The Tight Knots of Interrepublic Commodity Exchange"]

[Text] Lately many mutual complaints of representatives of some territories against others have emerged amongst us. They say that the exchange of goods is unbalanced. The reasons for this are quite varied. The crisis situation arose, it seems, mainly because of a host of economic messes. One of them is the misalignments in the interrelations of the center and the provinces and the lack of effective mechanisms for stimulating production.

A simple example: up to 90 percent of agricultural output was consumed where it is produced. There is logic here. And how does one comprehend the fact that a considerable portion of this output initially was bought up by the state? Then they gave it back. The center took it upon itself to provide the republics and oblasts with capital investments and resources and supported an administrative apparatus, science and culture. All this in combination with the arbitrariness of the departments has led to dependence and to the lowering of the responsibility of regional authorities for the state of affairs.

The local leaders, one must say, were not passive observers of this process. Many used it in their own way: they hid their own reserves and demanded ever greater resources.

An enormous differentiation among the republics and regions arose in allocations from the state budget, in deliveries of material and technical resources, and in the apportionment of foreign exchange. Thus, over a number of decades the agricultural enterprises of the Baltic republics were supplied with capital investments and material resources several times better than other regions of the country. For example, the Lithuanian SSR was allocated 3.4-3.8 times more productive purpose capital investments per hectare of agricultural land than on the average for the USSR. Today the supply of capital per hectare of agricultural land is more than four times higher than for the country. The picture is the same in Latvia and Estonia. Considerably more mineral fertilizers, equipment, feed, building materials and other resources were delivered here at subsidy prices.

And state subsidies per unit of area here were also considerably higher. Land reclamation operations were carried out completely at the expense of the state—and they amounted to 9-10 billion rubles per year. Significant work with respect to land drainage, social development of the village, and road construction was carried out in

this region through the state budget. The amount of improved agricultural lands here comes to 70 percent of the total area as compared with seven percent for the country as a whole. And it is at least strange when the Estonian economist M. Bronshteyn and other scientists say that all this was done by money earned by the kolkhozes and sovkhoses.

Dependence was especially intensely exhibited in requests for feed. Here's what has happened: during the last 13 years the production of its own feed in Lithuania, for example, has grown by 23 percent while receipts from state resources have increased by 53 percent. In Estonia by 9 and 58 percent respectively. Moreover, the rates of growth of animal husbandry products was 3-6 times lower than deliveries of feed from state resources. Purchased feed comes to about 5 centners of feed units per standard head of cattle for the country as a whole but to more than 10 centners in Estonia. Requests from the union republics for the delivery of feed concentrates to them from state resources are growing while purchases of grain are decreasing. Its importation has markedly increased in this connection. Billions of rubles in foreign exchange are expended annually for this purpose, which is a heavy burden on the country's economy.

The enormous subsidies and the imbalance of the exchange between the union republics and regions created an incorrect picture of the efficiency of resource utilization, did not permit one to compare real costs and results, and distorted the evaluation of the work of the regions.

Hence it is clear that under conditions of a command-administrative distributive system of management the economic potential of each republic was created as a result of the joint labor of all the peoples of the USSR. The prosperity of a particular region and its socio-economic development frequently depended on deliveries of raw material, other materials, capital investments and other receipts from state resources.

It is already impossible to manage further like this. The question is being raised about the imbalance of interrepublic exchange and about the close interrelation of the results of labor and the living standard in a region. And this is justified. One thing makes us prick up our ears: frequently incorrect information about how what is produced is distributed gets around. All the reproaches for particular messes are addressed to Moscow, to Russia and the Russian people are accused of economic errors.

Let's look at the state of affairs through the eyes of impassive statistics. What is the true picture?

The Russian Federation suffers from misalignments in the economy, from imbalanced exchange, from the "pumping" of resources (including natural resources) more than any other republic. Primordial Russian territories are becoming desolate and the interests of the inhabitants of Siberia and the Far East are being infringed upon. Many of these regions have have been

turned into raw material appendages and an exceptionally difficult social and ecological situation has developed there.

The reasons are not at all that the people work poorer. It's something else: because of specialization in the branches of group "A" the economic and scientific-technical potential of the RSFSR is utilized mainly for the solution of all-union problems. Because of this the branches of group "B" are insufficiently developed and Russia is compelled to import many consumer goods from other regions. Today it is no secret to anyone: by specializing in the branches that form the framework of the entire national economic complex and providing the country's basic foreign exchange receipts, Russia has found itself in far from favorable socio-economic conditions. Judge for yourself: in Estonia, for example, total per capita housing space is 5.6 sq. m. more than in Russia. Correspondingly in Lithuania—3.1 sq. m., and in Latvia—3.5 sq. m. The relationships are similar also with pre-school institutions, clubs and houses of culture, polyclinics, etc.

Until recently, the relationships between the country's republics and regions were formed based on their social division of labor and intensification of specialization. They did not examine who produced what and how much and who owed whom and how much. For example, the Baltic republics have specialized in the production of foodstuffs and light industry goods. Some 52 percent of the republic's national income is created in Lithuania's agro-industrial complex. With a rather high level of per capita consumption, this republic delivers 36-37 percent of the meat and milk it produces to the all-union fund. In 1990 the plan is to deliver 174,000 tons of meat, 1,325,000 tons of milk, and 30 million eggs to the all-union fund.

At the same time it is planned to bring into the republic approximately 2 million tons of grain and feed, 29,600 tons of cotton fiber, 3,200 tons of wool, 1,600 tons of tea, 110,000 tons of sugar, 3,600 tons of coffee, 6,500 tons of tobacco, 27,700 tons of vegetable oil, 53,000 tons of fish, 7,100 tons of melons, 12,400 tons of fruits and berries, 1,600 tons of grapes, 2,200 tons of citrus fruits, and 1,200 tons of dried fruits. In addition, the republic's agro-industrial complex gets oil, gas, metal, etc. from other regions, mainly from Russia.

According to USSR State Committee for Statistics data for 1988, imports of products into the Lithuanian SSR (in current internal prices) amounted to 7.49 billion rubles, exports from the republic—5.96 billion rubles. The negative balance was 1.5 billion rubles. Correspondingly for the Latvian SSR the figures were 5.6, 4.9 and 0.7 billion rubles; Estonian SSR—3.7, 3.0 and 0.7 billion rubles; Moldavian SSR—6.1, 5.1 and 1 billion rubles.

Some people are inclined to explain this by the inadequacy of prices. Thus, the Chairman of the Lithuanian SSR Council of Ministers K. Prunskiene writes in the magazine VOPROSY EKONOMIKI: "The opinion is

being advanced that allegedly more advantageous conditions have been created for us and we, making use of cheap raw material, appropriate the end product and have a great advantage. On the basis of doubtful price estimates Lithuania is 'condemned' to a negative balance of interrepublic commodity exchange. Therefore we are becoming dependents."

As we see, the Lithuanian leaders attempt to explain Lithuania's negative balance in interrelations with other republics by doubtful price estimates. P. Otsason, former deputy chairman of the Estonian Council of Ministers, has said approximately the same thing: "We have made precise calculations and it has turned out that with the correction of only a few of the most obvious mistakes in price determination the republic's balance of revenues and expenditures will approximately agree."

Indeed, our internal prices do not correspond to socially necessary costs and need to be improved. All right, let's take the prices on the world market. Today the Baltic republics acquire raw material resources at prices that are considerably lower than world prices yet the animal husbandry and light industry products in which this region specializes are delivered to the all-union fund at higher prices. According to the data for 1989, one ton of oil delivered to the Baltic republics cost 30 rubles at internal prices and 110 dollars at world prices, diesel fuel—68 rubles and 126 dollars, 1,000 cubic meters of gas—21 rubles and 104 dollars, etc.

According to the calculations of the USSR State Committee for Statistics, in 1988 the import-export balance for Lithuania in world market prices amounted to minus 3.7 billion rubles (imports 7.8 billion, exports 4.1 billion). The republic essentially does not possess its own fuel and power resources. In 1988 it brought in 1.7 million tons of coal, more than 13 million tons of oil, and 5 billion cubic meters of gas. In world market prices only Russia has a positive balance—30.8 billion rubles. In all the remaining regions the import-export balance is negative: Georgian SSR—1.9 billion; Moldavia—2.6 billion; Latvia and Estonia—1.3 billion each; Belorussia—2.9 billion; Kazakhstan—6.6 billion rubles.

The union republics annually receive enormous subsidies (the difference in purchase and retail prices) from the state budget. In 1990 Lithuania was provided from the all-union budget for these purposes 910 million rubles for the purchase of livestock and 641 million rubles for the purchase of milk and correspondingly for the internal consumption of these products—515 and 423 million rubles. If the entire amount of the state subsidies was directed only to deliveries of the products of the all-union fund, each ton of Lithuanian meat would cost the state about 7,000 rubles and milk—720 rubles, whereas 1 ton of meat and meat products on the world market costs 800 rubles, i.e., almost 9 times cheaper.

It would seem that all is extremely clear. However, Baltic scientists and political figures continue to declare that

they deliver animal husbandry products to the all-union fund at prices that are extremely unfavorable for them.

If anyone should take offence at the low level of prices it is Russia. By exporting enormous volumes of raw and other materials at low prices the Russian Federation has been turned into an age-long donor for many other regions. By selling its own output at low prices, Russia fails to receive a significant amount of national income. And what is more, even part of the national income produced, as are the natural resources, is exported to other republics. For example, in 1988 the national income produced in the RSFSR exceeded by 10.5 billion rubles the income used for consumption and accumulation while in the Lithuanian SSR the amount of the utilized national income exceeded the amount of that produced by 903 million rubles, in the Latvian SSR—by 431 million, in the Estonian SSR—by 553 million, and in the Moldavian SSR—by 428 million rubles. This situation is repeated from year to year.

In 1989 Lithuania received from other regions of the country, for example, 780,000 tons of rolled metal, 824,000 tons of commercial timber, 496,000 tons of mineral fertilizers (in terms of 100 percent nutrients), 400,000 tons of food grain, and 1.3 million tons of feed concentrates. The republic consumes 2.4 times more sugar than it produces from local raw material (the remaining portion of the raw material is imported from Cuba). Lithuania satisfies through imports 74 percent of its needs for ferrous metals, 97—for nonferrous metals, 100—for coal, 77—for products of the oil and gas industry, and 75 percent for the chemical and petrochemical industry. Here 52 percent of the total export-import turnover is for Russia.

In January of this year four union republics (Belorussia, Lithuania, Latvia, and Estonia), as well as a number of the autonomous republics and oblasts of the RSFSR converted to the principles of self-financing and self-management. Other union republics and many regions will manage under such conditions next year.

In order for the conversion to new economic relationships to be an impetus in increasing the efficiency and productivity of labor, each region must intensify the specialization and integration of production, and use its own natural and economic conditions to the maximum extent, while achieving maximum profitability.

Economic independence, it would seem, does not mean seclusion in locked-up administrative and territorial apartments. Unfortunately, precisely such tendencies have been noted here and there. Self-isolation and a striving to improve local supplies at the expense of reducing deliveries to all-union and republic funds are intensifying. What results from this in practice? Let's assume that the Baltic republics reduce meat deliveries. Then the Central Asian republics, not relying on partners, will expand feed lands for cattle—consequently they will reduce cotton sowings.

We are already reaping the fruits of such misalignments. Many oblasts are reducing the sale of grain to the state. In 1989, when its total yield was approximately 210 million tons, state purchases amounted to 58 million tons, whereas in past years, even when 195 million tons of grain were produced, state purchases amounted to 73-77 million tons.

The rupture of economic ties between regions is fraught with an intensification of the crisis. The slippery path of complete economic independence and of isolation will inevitably lead to the disintegration of the country's unified national economic complex and will hit the economy of any region with a boomerang. Every republic and every oblast ought to imagine precisely the utter perniciousness of the process of self-isolation and the disruption of integration ties. Although this, of course, does not mean that the interrelations that have developed should remain unchanged with all the negative phenomena...

Unfortunately, the new composition of the Supreme Soviets of individual republics, instead of a sober calculation and accurate foresight of the anticipated consequences, makes hasty decisions, similar to the decisions of the governments of the Baltic republics which hastened to announce their departure from the USSR and proclaimed political and economic independence. All previously adopted economic acts were declared invalid. However, at the same time, there is an attempt to preserve a brave face on a sorry business. On the one hand, the Lithuanian government demands that the western countries punish the USSR for having adopted economic sanctions against it and on the other it begs the Soviet Union to keep the previous advantageous economic ties, primarily in the area of fuel and power resources. Moreover, the commission of the Supreme Soviet of the Lithuanian republic for preparation of the plan for the restoration of the independence of Lithuania has proposed the retention over a period of several years of existing intra-union prices for raw and other materials delivered to the republic as well as for products and raw material purchased on an import basis.

Excuse me, dear sirs, breaking with the Soviet Union and viewing it as a foreign state also radically changes the approaches in interrelations—economic and financial. Under the new conditions there can be no talk about any subsidies and mutual assistance nor about any advantageous prices. What republic will want to trade itself into decline? Therefore many regions of the country have begun to reduce deliveries of products to the Baltic region. This is understandable: you see it can be sold on the world market at a considerable profit.

As is well known, the President of the USSR and the Chairman of the USSR Council of Ministers have taken a decision to cut deliveries to Lithuania of goods which can be sold for hard convertible foreign exchange. The new Lithuanian leaders hoped to compensate for the reduction of deliveries of oil and other products from the USSR through aid from the countries of the West.

However people willing to supply Lithuania with fuel and power resources at dumping prices have not been found. One must settle accounts for oil, gas and other resources with foreign exchange. Lithuania consumes 7.1 million tons of oil a year. About 800 million dollars will be required to purchase it on the world market. And gas, lumber, metal?..

Because of the intensification of the social division of labor each republic today is tied together with other regions of the country by hundreds of threads. Of the 103 sectors accounted for in the intersectorial balance, the Baltic republics import 101 and export 89 items. It is practically impossible for their economy to function without imports of fuel and raw material resources, metals, chemical products, timber and many types of machinery and equipment at prices which are extremely advantageous for them.

Furthermore, the products which this region produces for export—meat, milk, cotton goods—are not in demand on the world market. The cost of production of agricultural products here is 2-3 times higher than in the countries of the West. The output of the Baltic village is not competitive there. The Soviet Union paid generously for this output. For one ton of standard (uslovnnoye) meat (milk converted into meat at the rate of 10:1) delivered to the all-union fund Lithuania, for example, receives from state resources: grain and feed concentrates—about 7 tons; mineral fertilizers—2.1 tons; gasoline, diesel fuel and mazut—4.6 tons; natural gas—1,200 cubic meters; coal and products of its processing—1.2 tons; rolled ferrous metals—0.5 tons; cement—1.7 tons; lumber—2.2 cubic meters. In addition, the agrarian sphere of Lithuania's economy receives agricultural equipment, foreign exchange, centralized capital investments, etc. The situation is the same in the other Baltic republics.

The sale of such an amount of raw material and material resources on the world market would permit the state to purchase several times more animal husbandry products at lower prices. The statements of some leaders that after separation from the USSR the Baltic republics will live like Sweden are, to put it bluntly, a deception of their own people.

Full economic accountability and self-financing will force a change in spending psychology and the more judicious expenditure of funds for maintenance of the administrative apparatus. Probably ministries for 15-17 farms will not be created, as it was in Estonia. They will hardly be so generous if it's from their own funds.

In our days the problem with the location of chemical plants and other ecologically "dirty" enterprises has become acute. Some oblasts and republics, while using a significant quantity of fertilizers and herbicides, refuse to construct enterprises of such a specialization and are closing down existing ones. And those who produce fertilizers cannot properly top dress their own fields. Is this right? The excessively developed specialization of Russia has led to a situation in which ecologically

"dirty" production units—chemical plants, pulp and paper enterprises, metallurgy and machine-building—were created on its territory over the decades. Thus, emissions of harmful substances into the atmosphere, according to per person data for 1988, amounted to 261 kg. in Russia, 66.4 kg. in Latvia, and 35.8 kg. in Estonia.

And another question: who will pay the internal and external debts of the country? Our foreign debt now amounts to 42 billion rubles in freely convertible foreign exchange, or about 68 billion dollars, and the internal—400 billion rubles. When converting to economic accountability the republics and regions are obliged to take upon themselves the appropriate portion of the debt. If it is distributed in proportion to the volume of utilized national income, Lithuania has, for example, 1.07 billion dollars of foreign debt and 6.3 billion rubles of internal debt.

Alas, this question is for some reason sidestepped in the speeches of economists and political figures. And what is more, some leaders of the regions, as before, seek to obtain more state capital investment and foreign exchange from the all-union organs. Thus, last year in the draft plan-agreement with the Soviet Union submitted by the leadership of the Latvian SSR it is noted that the republic does not have enough of its own foreign exchange funds available and therefore asks that 629 million rubles in internal prices be provided in 1990 for the delivery of products from abroad. Where are such funds to be obtained? Seized from a neighbor? What kind of self-financing is this? Here are also some regions of Russia, for example, the Bashkir ASSR. By willful action it is establishing payment normatives for labor and natural resources. It isn't difficult to imagine the consequences of such regionalistic pretensions.

In the conversion of the union republics and regions to self-financing and self-management as yet there are more debates and not enough analysis.

Estonian Government Discusses Labor Market, Privatization, Other Issues

904A0438A Tallinn SOVETSKAYA ESTONIYA
in Russian 30 May 90 p 3

[Article by ETA correspondent Yu. Khindov: "Government Meeting"]

[Text] A regular meeting of the Estonian Republic government took place on May 28 at the Toompea. The meeting was chaired by Economic Minister Yu. Meymann.

The meeting discussed issues related to the establishment of the labor market department in Estonia. A. Kuddo, minister of social issues, provided explanations. According to him, the shift to the market economy will lead to the creation of the labor market. For it to function normally, government regulation will be needed primarily in the area of developing and implementing a

policy toward the labor market. The government resolution, in addition to establishing the department, gave the labor market department two months in which to submit a draft of its statute to the government. The meeting identified goals that would have to be reflected in the statute. The government department would regulate the labor market in the entire republic, coordinating supply and demand for various types of workers and specialists. Planned radical changes in the economy and wage policy would move the labor market into a new, dynamic condition.

Next on the agenda was the personnel issue. The government order appointed Bello Ryaek director general of the labor market department; previously, he had been a councilor at the Ministry of Social Issues. Rikho Sild was appointed first deputy minister of industry and energy. Until then, he had worked as director general of the "Estonopliivo" association. Ann Sarap was appointed first deputy minister of transport. Andres Kollist was appointed director general of the Estonian Republic department of migration; before that, he had been managing research scientist at the Estonian Academy of Sciences chemistry institute.

An important part of the E. Savisaar government program is privatization of the economy. Erik Terk, deputy economic minister, spoke about concrete plans in this area. Privatization is a very vast area of activity which must be accompanied by appropriate legislative acts, such as the law on property. In addition, appropriate public opinion must be shaped. Given all the difficulties, the government believes that privatization must start in less capital intensive industries. In the second half of this year, privatization is scheduled to start in service, consumer trade and public catering. It is very hard to establish the time frame in this issue but, tentatively, privatization in these industries should be completed within 1.5-2 years. The government plans to draft privatization plans for four different industries.

Trade Minister Ants Laos spoke of the general principles of developing commercial trade. They reflect government views on the issue of market economy. The government order allowed selling at market prices especially fashionable goods and high quality products supplied outside central distribution channels, as well as imports bought in small quantities. Commercial prices are planned for delicacies, but not staples. Local trade organizations and enterprises can sell additional quantities of deficit goods at contract prices, in accordance with their plans. A. Laos noted that developing commercial trade is one of the ways to raise the quality of service. Not every retail outlet will be allowed to sell at commercial prices, far from it. Special shops, and special department at country stores, will be set up for this purpose. It is forbidden to replace existing shops with commercial ones if this results in a deterioration in retail service. A commission at the trade ministry will set prices for goods sold at commercial stores, and only for goods supplied outside central distribution channels. Commercial prices for goods supplied at contract prices will be set by

re-evaluation commissions established by municipal or local authorities. The Trade Ministry will draft and distribute temporary regulations for commercial trade.

Health Care Minister Andres Ellamaa spoke about government plans to shift to medical insurance. In the command economy, the health care system funded from the state budget has failed. To achieve a new level in Estonian health care, we should shift to a system of health insurance. It is an economically regulated system of health care which is focused on the individual and his interest in strengthening and maintaining his own health. When shifting to the new system, we should keep in mind the entrenched view that the old health care system was free. Or, more precise, there were no out-of-pocket expenses when medical help was needed. Currently, people have no money to pay for health care services. Therefore, initially, the main form of funding will be a compulsory health care tax payable by all employers and people working privately. The government approved the proposal of the Health Care Ministry to shift to a health insurance system. The government asked the ministry, along with other departments, to develop proposals concerning financial underpinning for health care.

The government meeting passed resolutions to establish a registry of Estonian Republic residents and the statute of the government department of grain, and discussed other issues.

Economic Cooperation Between Leningrad, Uzbekistan Described

904A0358A Tashkent PRAVDA VOSTOKA in Russian
1 May 90 pp 1, 2

[Article by UzTAG correspondent M. Garbuzenko: "Uzbekistan-Leningrad: On the Threshold of a Market Economy"]

[Text] Leningrad-Tashkent—Establishment of long-term, mutually advantageous contacts to resolve common economic and social problems—this is the basis of a cooperation agreement between Uzbekistan and Leningrad which was concluded at the time that the Second Congress of People's Deputies was in session. It provides for a broad range of economic, scientific-technical, and cultural relations between two large regions of a revitalized Soviet federation. How are its provisions being implemented, and how do the people of Leningrad regard the new stage in collaboration? We found the answers to these questions in the city on the Neva.

On the Basis of Parity, Or Who Profits from Misinformation

"Is Uzbekistan an appendage for raw material? Incompetent persons may ask this. We are counting solely on honest relations based on parity. It cannot be otherwise. Especially under the present conditions, when we are on the threshold of a market economy." This was the categorical opinion of Viktor Vasilyevich Rybalko, who

heads the Interregional Relations Department in the *ispolkom* of the Leningrad Oblast Soviet of People's Deputies.

The department was established especially to build strong economic bridges with all interested regions of the country. And cooperation with Uzbekistan is the first step in this effort.

The department's main task is to conduct vigorous organizational work to speed up the pace of implementing the objectives stipulated in the agreement. Special importance is attached to the establishment of small, technically equipped joint ventures, improvement in the efficient use of existing capacities to produce consumer goods, and the construction of hothouse facilities and shops to process agricultural products.

This is far from a complete list of the tasks and functions of the department's staff.

But let us switch from the "official instructions" to everyday matters. The agreement stipulates that a program of specific measures for 1990 and the coming five-year plan is to be worked out in the first quarter. What has been done?

"Frankly speaking, the work is not moving forward very quickly, as we would like," V. Rybalko says. "There are objective reasons for that. The elections of people's deputies in Uzbekistan and now in Leningrad as well have pushed everything else into the background. But we have not been idle. The question of building hothouses in the 'Lenin Yuly' and *Imeni Kalinin Kolkhozes* in Tashkent Oblast is being resolved. The 'Arka' cooperative in Tashkent has undertaken this work. We will help in providing the hothouses with the necessary equipment—heat generators and drip irrigation accessories. Some 20 tons of polyethylene film has already been shipped. When the hothouses are ready, the *kolkhozes* will acquire them as their property. But we reserve the right to obtain early vegetables. Only the early ones, I say. The view has been expressed that this right must be confirmed legally. But why? This is a gentleman's agreement, after all, and I am confident that it will not be violated. Our only condition is that it must be quality produce at fair prices. The establishment of a joint farm based on the hothouses is also part of our plans. I believe that this will be mutually advantageous. We are prepared to provide our partners in Uzbekistan with advanced technology for growing vegetables in hothouses. It makes it possible to obtain up to 40 kilograms of produce from a square meter..."

Construction could begin tomorrow if it were not for the perennial metal problem. We need rolled sheet metal that is in critically short supply. While "messengers" from the Interregional Relations Department and the "Arka" cooperative are reaching the heights of the USSR Ministry of Ferrous Metallurgy, 12 industrial giants in Leningrad have begun helping the good undertaking.

The decision was made by these enterprises, jointly with the STK [labor collective councils], to provide what assistance they can and to equip the facilities being built with one percent of the rolled sheet metal allocated to them for 1990 stocks. This amounts to 343 tons. Contributions have been made here by such eminent associations as "Kirovskiy Zavod," "Aurora," "Izhorskiy Zavod," "Leninets," "Imeni K. Marx," "Proletarskiy Zavod," "Lengazaparat," and "Baltiyskiy Zavod."

A package offer now being prepared will form the basis for a working program to implement the agreement. The Interregional Relations Department will have specific recommendations on a number of matters in May or June.

What are the kinds of problems which the Leningrad scientists, economists, and specialists from different sectors of the national economy are focusing on now? Let us identify some of the subjects.

The "Lengiprostrom" Institute [Leningrad State Institute for Planning Enterprises in the Construction Materials Industry] is drafting proposals for the development of building materials production in the Uzbek SSR based on available reserves of local raw material; a forestry production association is creating a joint venture to procure and process timber for the needs of Tashkent Oblast; and the Leningrad Institute of Textile and Light Industry is planning to bring the processing facilities of the light and textile industry of Leningrad and Leningrad Oblast as close as possible to the sources of raw material, primarily cotton fiber. Efficient use of available manpower resources in Uzbekistan to establish branches, shops, and joint ventures in the republic; the All-Union Scientific Research Institute of Heavy Machine Building is organizing branches, shops, sections, and joint ventures in the Uzbek SSR for the production of consumer goods, complex household appliances, and equipment for processing sectors; and the oblast Public Education Committee is training skilled regular employees in the PTU [vocational and technical schools] and at Leningrad enterprises as a special assignment for Uzbekistan...

The list can be continued. But there is one interesting detail: all these enterprises and institutions decided to collaborate with our republic without directions of any kind. Each rayon and city in Leningrad Oblast has been given the right to independently establish contacts with partners in Uzbekistan, to conclude agreements, and to establish joint ventures. The first "tandems" have already been established: Vyborg and Angiyul'skiy Rayon, Gatchino and Chirchik, Sosnovyy Bor and Bekabad...

But even this most important work had a fly in the ointment, as they say. When I flew to Leningrad I had occasion to hear time and again that this agreement is to ensure that a stream of manpower rushes to Uzbekistan from Leningrad and the oblast.

"We don't have enough workers ourselves," says Vladimir Korzhavin, chief specialist in the Consolidated

Industrial Sectors Planning Department of the Planning Commission in the Leningrad Oblast Soviet Ispolkom. "There is a personnel shortage at practically every enterprise."

"We have even been forced to invite Vietnamese in order to meet the need for manpower resources," V. Rybalko continues the subject. "But after all, the boys and girls from Uzbekistan are ours! And we will be very pleased to provide them with work and train them."

Yes, neither Leningrad nor the oblast is suffering from a surplus of unemployed persons. One can be clearly convinced of this by visiting the "Krasnyy Treugolnik" Plant, where about a thousand people are needed. Let us assume that we can also make suggestions about the working conditions and the badly organized housing here. But after all, the personnel problem in a powerful association such as the "Leningrad Metal Plant" is one of the worst...

So rumors about "a stream of the labor force" from Leningrad to Uzbekistan are unfounded. The usual "canard." And the purpose of the misinformation, the deliberate lie, is clear—to work up public opinion, to "play" on the complicated interethnic situation, to trip up the new relationships.

Everyone needs to understand one thing: the people of Leningrad are interested in cooperation to the same extent that the people of Uzbekistan are. For this reason, contacts such as this under the conditions of a market economy are the best possible method of bringing about mutually advantageous cooperation.

"We Need to Get Together for a Specific Discussion..."

"Here is the statement of intentions on cooperation and mutual assistance between our enterprise and the Uzbek SSR Gosplan," says N. Ilin, the deputy general manager of the "Krasnyy Treugolnik" Production Association. "The ideas in it are attractive. But matters have not moved beyond this statement, unfortunately. Why? Because there is no initiative. It seems to me that our partners in Uzbekistan should show more of it, all the same. For the present, this document amounts to only good wishes; we need to get together for a detailed discussion, which will be followed by specific transactions."

N. Ilin is justified in referring to numerous problems. As an example, the statement of intentions says that "a joint plan of operations must be worked out and implemented to increase efficiency in utilizing capacities at the 'Krasnyy Treugolnik' Plant to turn out polymer footwear with the enlistment of Uzbekistan's manpower resources." Somewhat complicated, but understandable. Well, it's a good arrangement. But where are the people to be accommodated? The plant's dormitory facilities are overcrowded, and little new housing is being built here. If the city authorities will assume this concern, the association takes responsibility for the second part—providing work, wages, and training. As an example, five

brigades can be formed with 240 persons from Uzbekistan. They will master production of the Asian overshoes that are in short supply and turn out 2.5 million pairs annually.

We may as well confess that housing is a common state problem. But it is not worth making it a stumbling block in this case. After all, if we examine this, Leningrad does not need the overshoes—there is no demand. For this reason, there is no point in starting production thousands of kilometers from the market. Such an enterprise needs to be established in the republic, and a base exists for it—the "Uzbekrezinotekhnika" Production Association.

As far as instructors for training personnel locally are concerned, invite several specialists from the "Krasnyy Treugolnik"; this is much easier than sending several hundred persons there. Expensive, and there is no reason for it. The Leningrad association is prepared to help with the equipment.

"We have capacities available," N. Ilin continues. "True, the equipment is not new, but we are maintaining it in working order. If we dismantle it, let us assume, we can set up one or two flow lines. But is there any point in bringing you what has been working for us for 20 years? Offering you belt conveyers means developing labor-intensive production facilities for you. There is another solution: get the same conveyer with a grip block (KZK) and complete the unit with 'associated' new equipment... Obtain rollers and calendars—this is not a problem, they are manufactured by the 'Metallist' Plant in Leningrad. Our association will help with the sole-cutting machinery. But what about the KZK? Who will provide the foreign currency? Obviously, this should involve shareholding."

Other matters continue to be unresolved as well. If the enterprise is set up in Uzbekistan, we need to concern ourselves with the capacities for preparing the rubber stock and processing the textile materials.

It is hard not to agree with Ilin that they need to determine specifically how and when it is to be done and who is to do it. Especially as the time periods in which the sides should have worked out proposals for joint action have already expired...

Uzbekistan's Power Engineering Begins in the City on the Neva...

We received good news in the "Leningrad Metal Plant" Association—assembly had begun on the turbine for the first unit of the Talimardzhan GRES. Unfortunately, the good news was overshadowed somewhat by subsequent information.

"The USSR Ministry of Power and Electrification asked us at the start of the year to begin production of machinery for the station on the Karshinskiy Steppe before the Perm station," says R. Shults, chief of the association's Economic Planning Administration. "We

informed the 'Uzbekgidroenergostroy' Trust about this. And they were very surprised by this. The builders had asked that delivery of the turbine be held up, saying that they were unprepared. The same situation applied to Perm. This situation is not convenient for us. After all, the association makes its living filling such orders."

In accordance with the original plan and order from the USSR Ministry of Power and Electrification, Leningrad workers were to manufacture and deliver the machinery to Kashka-Darya Oblast in the first quarter of 1991. It was third in "line" after Perm and Nizhnevartovsk. However, an unexpected rearrangement followed. The ministry explains that construction of the Talimardzhan GRES is moving ahead more rapidly. An adjustment was made because of this, they say. Although in point of fact, it is not that way at all. It is sufficient to remember that the Council of Ministers had received several requests from deputies to suspend work on the Talimardzhan station after financing was discontinued.

"In principle, it makes no difference to us who we build the turbines for," continues R. Shults. "But such rearrangements also reflect on us. If our customers in Uzbekistan will provide the financing, everything will turn out normally, but if not... We cannot blame our fellow countrymen, of course. They have been oriented toward other periods of time. But in the final analysis, this will also have an effect on the association's economic condition. Export is another matter. Frankly speaking, it is more profitable for us to work for export, because world prices for turbines are quite high. But we want to provide for our consumers first of all."

Meanwhile, work on the 800,000-kilowatt turbine for the Talimardzhan GRES is continuing. About two months are usually spent on the machinery's assembly. Then the unit is scrupulously examined on the plant test stand. After this they disassemble it and ship it to its destination.

"We are prepared to make as many machines for Uzbekistan as the republic needs—this is the position of the association's employees. The 'LMZ' [Leningrad Metal Plant] is not a monopoly. The 'Kharkov Metal Plant' is competing with the association. So we must maintain the prestige of the enterprise which the people have nicknamed 'the grandfather of turbine builders.' But we would like to build machines for the Uzbek SSR without any interruptions—even if only one a year."

The "Leningrad Metal Plant" has had strong ties with Uzbekistan for a long time. A turbine for the sixth unit of the Novoangrensk GRES was shipped out from here in February. One more machine is planned for next year.

And we must agree here with R. Shults, who noted proudly that "Uzbekistan's power engineering begins at the 'Leningrad Metal Plant.'"

Don't Wait for the Market to Teach You

A herd of highbred heifers from practically all the farms in Leningrad Oblast are ready to be shipped to Uzbekistan.

A thousand head of cattle is good help for livestock raising in the republic. Especially as this is only the beginning.

"We can deliver many more than a thousand heifers each year," the staffers of the Interregional Relations Department say with conviction. "But we need fodder, primarily oilseed meal. We went to Tashkent and the republic Gosplan, then we went to the republic Council of Ministers. We realize that it is a complex question. But there is no answer yet. But on the other hand, this same oilseed meal is 'being returned' to the republic in the form of 'the end product.' After all, in order to deliver breeding stock to you, it must be fattened. At first we waited until the warm weather set in before sending the herd. Now we are waiting for representatives of the Tashkent Oblagropromsoyuz [Oblast Union of Agricultural Producers Cooperatives] to draw up a contract. And of course, we are waiting to see how the fodder situation is resolved. We intend not only to deliver the heifers, but to equip the facilities where they will be kept. Our specialists are prepared to collaborate with your livestock breeders and to provide them with help in taking care of the cattle and in obtaining high milk yields..."

But for employees of the Leningrad oblpotrebsoyuz [Oblast Union of Consumer Cooperatives], the first transaction with their colleagues from the Tashkent oblpotrebkooperatsiya [Oblast Consumer Cooperative] turned out to be an unpleasant surprise. Within the framework of the agreement on cooperation, 240 tons of sugar had been shipped to Uzbekistan for industrial processing. Let us mention right away that Leningrad and the oblast are a bit short on sugar as well. Nevertheless, we found reserves for our future transaction, assuming that we would receive the same amount of canned fruit, stewed fruit, and Eastern confectionery... We received four railcars. But the Leningrad sanepidstantsiya [Public Health and Epidemiological Center] rejected 30 percent of the "sweets." The reason? The storage periods for the products had expired, there was foreign material in the cans with the fruit, and glass containers were used which were not standard for food products.

"You cannot say that such a partnership is equitable," Ye. Bekyasheva, chief of the Trade Department of the Leningrad Oblpotrebsoyuz, said angrily.

But most of her colleagues have a different opinion:

"This is normal. Familiarization is under way. Clearly, the shippers did not do this intentionally. Most likely this is the level at which the people are accustomed to working. We do not have to focus attention on this episode. When they get their shipment back, they will

realize that they must devote more attention to production efficiency and the quality of goods, especially foodstuffs. These are the requirements which are unavoidable in a market economy. Failure to adhere to them means operating at a loss. We must learn this. And learn it now."

But this is how Yuriy Fedorovich Yarov, chairman of the Leningrad Oblast Ispolkom of the Soviet of People's Deputies, assesses the state of affairs. He was one of those who signed this document:

"We cannot say that everyone understands the need for this agreement today. It will acquire significance in the near future. Today we are attempting to foresee the course of events, and searching for mutually advantageous cooperation. However, one thing is already apparent—we will not be able to survive and develop without such agreements tomorrow. Territorial cost accounting and the law on local self-management will be placing more and more responsibility on the soviets of people's deputies for the state of affairs, for normal living conditions and for providing the people with food and essential goods. And such interregional relations are one of the most important ways of resolving the problems, in my view."

Unfortunately, we now see how the contacts of many years among republics are being torn apart. This is a questionable way to resolve the situation. We realize this. For this reason, we have chosen an alternate solution—reinforcing and comprehensively developing contacts directly with the regions. No one instigated us to do this, and there have been no directives "from the top." This is a voluntary step, dictated chiefly by awareness of its necessity. For the present, the agreement is a declaration. But after all, this important document was not signed just for show. These are different times, and there are different criteria for evaluating words and deeds now.

One-time transactions are not what are important—this is not the way. The main thing is mutual interest, long-term combined effort to increase the production of high-quality foodstuffs and consumer goods. A market economy lies ahead, and the relationship which we have established will show us how to act.

MODELING, ECONOMETRICS, COMPUTERIZATION

Goskomstat Official Describes Plans To Expand Glasnost in Statistics

90440566A Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO)* in Russian No 7, Jul 90 pp 28-33

[Article by Yu.A. Yurkov, administration chief of USSR Goskomstat, published as the official response to the

review "Hot Dream About a Cold Number," published in *EKO*, No 10, 1989: "Movement Toward Reliability and Authenticity"]

[Text] Senior officials of the USSR State Committee for Statistics [Goskomstat] have ordered the Administration for Improvement of the Methodology of Statistics to study carefully the critical remarks expressed in letters to the editors and in the review. There is no question that they concern key problems of Soviet statistics and are at the center of attention in the committee's work.

At the present time, USSR Goskomstat is restructuring the field of statistics in the country.¹ In economics work, there is a turn toward analysis of social processes, toward revamping structural and investment policy, the balance of the economy, accelerating development on the basis of scientific-technical progress, intensification of production, resource conservation, utilization of production potential, improvement of management and methods of economic activity, solving complex problems of the national economy, and also socioeconomic development of the union republics and the country's regions. Information on sociological, moral, and environmental problems is being analyzed more thoroughly. The system of indicators is being improved, especially qualitative indicators. The indicators "National Income Produced" and "Gross National Product" have been applied in practice.

There is an intensive effort to develop statistical indicators, a methodology for computation and analysis of the standard of living, price indices, the dynamic behavior of inflationary processes, and the purchasing power of the ruble.

In this connection, the "Basic Methodological Principles for Estimating the Standard of Living and for Determining Price Indices, the Dynamic Behavior of Inflationary Processes, and the Purchasing Power of the Ruble" have been approved jointly with USSR Gosplan [State Planning Committee], USSR Minfin [Ministry of Finance], USSR Goskomtrud [State Committee for Labor and Social Problems], USSR Goskomsen [State Committee on Prices], USSR Gosbank [State Bank], the AUCCTU [All-Union Central Council of Trade Unions], and the USSR Academy of Sciences.

Sectoral methods of computing the indices of consumer prices, prices and rate schedules for paid services rendered to the public, income from carrying freight by common carriers, prices for construction and installation work, purchase prices for agricultural products, producer prices (wholesale prices) of industrial products, the prices of foreign trade in domestic prices, and also methods of determining the dynamic behavior of inflationary processes and the purchasing power of the ruble, of estimating the standard of living, and of computing deflators for macroeconomic indicators have been approved for systematic observation of the movement of prices and rate schedules on the basis of the principles indicated.

A number of procedures which have been developed are now being applied in statistical practice. In order to construct a deflator for construction and installation work, which is needed to convert the volume of this work to comparable prices and also for determining the dynamic behavior of labor productivity of construction workers, USSR Goskomstat is conducting a survey to study the rising cost of construction and installation work because of the change of estimate prices of building materials and structural elements, wages, and the shift coefficient for machines and machinery.

The procedures that have been prepared were used in calculating price indices of consumer goods for the first half and first three quarters of 1989 and of everyday services to the public for the first three quarters of 1989. The preparatory work has been completed for doing calculations of a system of indices of prices and rate schedules for 1989.

In 1988, the conception was developed for creating the Unified Statistical Information System (YeSIS)—a fundamentally new and scientifically sound system of gathering, accumulating, processing, and analyzing data based on broad application of the methods of mathematical economics, up-to-date communications equipment, computers, and office machines.

The amount of statistical data published in the open press has been expanded. The statistical yearbook of USSR Goskomstat "Narodnoye khozyaystvo v 1988 godu" [The Soviet Economy in 1988] has been supplemented with additional information. For instance, in the "Summary Section" data have been included on the gross national product, the net output of enterprises in physical production, and the production of consumer goods (excluding alcoholic beverages).

In the section "Social Development," indicators have been published on the size and composition of the population according to the preliminary results of the 1989 All-Union Population Census, and the material has been expanded on labor resources, remuneration of labor, retail commodity sales and paid services, public education and culture, and health care, and sections have been formed on the new forms of organization of work, on construction of housing and social and cultural service facilities, and on personal income.

The section "Development of Material Production" has been supplemented with a number of indicators reflecting scientific-technical progress and resource conservation, development of industry, and the activity of agroindustrial formations (combines, associations, and firms), improvement of management and the economic mechanism, etc. In 1988 and 1989, USSR Goskomstat has published statistical handbooks on various sectors of the economy: "Promyshlennost SSSR" [Soviet Industry], "Selskoye khozyaystvo SSSR" [Soviet Agriculture], "Kapitalnoye stroitelstvo SSSR" [Soviet Capital Construction], "SSSR i zarubezhnyye strany" [The USSR and Foreign Countries], "Sotsialnoye razvitiye

SSSR" [Social Development of the USSR], "Naseleniye SSSR" [The Soviet Population], "Torgovlya SSSR" [Soviet Trade], "Narodnoye obrazovaniye i kultura SSSR" [Public Education and Culture of the USSR], "Okhrana okruzhayushchey sredy i ratsionalnoye ispolzovaniye prirodnkh resursov SSSR" [Environmental Protection and Optimum Use of Natural Resources of the USSR], "Nauchno-tehnicheskii progress v SSSR" [Scientific-Technical Progress in the USSR], and "Transport i svyaz SSSR" [Soviet Transportation and Communications]. In 1990, the handbook "Okhrana zdorovya v SSSR" [Health Care in the USSR] is to be published and a series of pamphlets entitled "Vsesoyuznaya perepis naseleniya 1989 g." [The 1989 All-Union Population Census].

A program and measure have been adopted for further improvement of statistics. They contain a commitment to the following:

- reorientation of state statistics and the system of statistical indicators to bring it into conformity with the requirements of the economic reform being carried out in the country, the conversion of guidance of the economy and the social sphere in the union republic to the principles of self-government and self-financing and performance of the new functions of sectoral ministries and departments;
- radical restructuring of state reporting, eliminating from it data not resulting from the needs of the state administration in the context of the transition to optimum decentralization and predominantly economic methods of management;
- achievement of the optimum combination of centralization and decentralization of statistical and book-keeping reports on the basis of the new conditions of state guidance and economic management of the economy;
- so as to take into account regional peculiarities, achievement of the independence of local components of the state statistical service in organizing statistical-economic observations and conducting economic analysis on the basis of unionwide methodological principles;
- review the procedure for setting up urgent statistical reporting in order to determine its optimum scope, submittal dates, and summary processing;
- essential expansion of the use of the new methods of statistical observation, replacing complete reporting by sample surveys and monograph surveys, simultaneous counts, questionnaires, and so on.

The latter will make it possible to considerably reduce the number of statistical reporting forms and at the same time it will make it possible to obtain complete and objective information on the economic situation both of the country as a whole and also of individual sectors of the economy, branches, and regions.

The critical remarks rightly indicate the preferability of obtaining much material directly from data banks, without using paper. Plans for the period 1990-1995 call

for setting up a computer network of USSR Goskomstat for all levels of YeSIS, providing interaction with sectoral, statewide, and information and computer networks using the facilities of the Open Network Teleprocessing System (OSST) and digital communications channels, which will ensure the conditions necessary for the transition to electronic technology.

An exceedingly important condition for guaranteeing the authenticity and reliability of statistical information is to raise the scientific level of the entire statistical methodology, moving closer to the methodological approaches and standards adopted in international practice. To solve this problem, a summary working group has been set up in USSR Goskomstat whose principal task is to coordinate efforts toward a major revision of the basic methodological principles of Soviet statistics.

This group is paying a great deal of attention to work on balances above all. They are to work out a methodology for comprehensive analysis of the balance of physical and financial resources in the economy, a methodology for linking the state budget, its revenue and expenditure items, to the national income, and a methodology for determining indicators of losses in the economy in physical and value terms. One of the most important objectives is to introduce the UN system of national accounts in the practice of Soviet statistics.

The summary working group is examining the problems of social statistics, in particular a method of computing the cost of living index. Systems of indicators of moral and political statistics, of interethnic relations, and so on, will also be developed.

Considerable time is being given to various projects to construct and calculate index numbers, including computation of summary indices of consumer prices and also actual prices and rate schedules for commodities and paid services to the public, and to determine wholesale price indices for industrial products and the products of construction.

In the field of financial statistics, there are plans to examine the problems of determining the deficit in the state budget, sources of covering it, the state debt, and inflationary processes; a methodology of compiling a summary financial balance in a regional breakdown; a method of reflecting the loan fund in the balance of

financial resources and of the outlays of the state and social insurance resources in the composition of the state budget.

Among the problems of international statistics are a methodology of international comparison of the most important indicators of the balance of the national economy with a number of advanced capitalist countries, foreign trade statistics, and also comparisons with foreign countries of the most important social indicators; and a computational procedure using UN methodology of indicators of the consumption of meat and a number of other foodstuffs.

The plans of the working group for the near future include examining retail price indices, a method of computing normal and excessive savings and unsatisfied demand of the public for goods and services, elimination of double counting in retail commodity sales, and the problems of social and environmental statistics.

The results of the effort of the summary working group will be systematically published in the form of revised basic methodological principles of Soviet statistics both in economics journals and also in separate publications.

On behalf of expansion of the glasnost of statistical information, the information and publishing center of USSR Goskomstat, beginning in 1990, will be preparing annual communications of USSR Goskomstat on such major problems as the standard of living, the country's financial situation and, foreign economic relations, and together with newspaper editors it will organize commentaries and analysis of new statistical projects. In addition, beginning in 1991 booklets will be published on the principal indicators of the country's socioeconomic development.

The purpose of this letter is to inform the editorial collegium of the journal EKO on the work being done by USSR Goskomstat.

Footnote

1. An interview with V.N. Kirichenko, chairman of USSR Goskomstat, entitled "Cleaning Up Statistics" (EKO, No 2, 1990, p 33), was devoted to the restructuring of the field of statistics in the country. It touches on many issues omitted from the official response in order to avoid repetition.

COPYRIGHT: Izdatelstvo "Nauka". "Ekonomika i organizatsiya promyshlennogo proizvodstva", 1990

AGRO-ECONOMICS, POLICY, ORGANIZATION

Boyev Sees Increasing Role For Private Plots

904B0235A Moscow SELSKAYA ZHIZN in Russian
6 May 90 p 2

[Article by V. Boyev, VASKhNIL Academician and director of the All-Union Scientific Research Institute of Rural Electrification: "Only Based Upon Equal Rights"]

[Text] The private plots of kolkhoz members and manual and office workers constitute an important component of the country's agro-industrial complex. Today this is a generally recognized fact. The time has passed when private plots were viewed as rudimentary additions to public production and doomed to disappear in the immediate future. Today the future has become a reality and the role played by LPKh's [private plots], owing to the slow development of or stagnant conditions in large-scale production, has not declined but rather has even increased. The prevailing theory regarding the monopolism of large-scale production as the only and most rational form of socio-economic development for the rural areas and the solutions for the food problem have not withstood the test of time. The private sector has not only endured, but to a large extent it is promoting kolkhoz and sovkhoz development from a production and socio-psychological standpoint, while retaining workers in public production and imbuing in them the sense of being an owner.

At the present time, the private plots of the population are producing almost one fourth of the gross agricultural output, including 23 percent of the vegetables, 25 percent of the meat, 27 percent of the milk and approximately 60 percent of the potatoes. For all practical purposes, one fifth of the country's food resources is being produced on the LPKh's. While the number of persons working on LPKh's has declined by almost one million workers over the past 20 years, the volume of products obtained from them not only has not declined, but in fact it has even increased—especially fruit, berries and meat.

More than 1,000 large-scale farms would be needed to obtain such a volume of products and more than 100 billion rubles would be required to create the productive capital for these farms. Moreover, there would also be a need for additional labor resources and land areas.

It is thus obvious that by no means is full use being made of this important reserve for ensuring the country's food supply or the social well-being of the rural areas. The number of rural families living on purchased food products is continuing to grow and this naturally is increasing the demand for these products. At the beginning of last year, 33 percent of the private plots did not contain any livestock, 48 percent had no cattle, 54 percent had no cows and 60 percent had no hogs. And indeed, in addition to kolkhoz members and sovkhoz workers,

other groups of the population also live and consume food products in the rural areas.

At the present time, the average annual production figures for one private plot, and there are 36 million of them in the country, are as follows: 216 kilograms of all types of meat, 829 kilograms of milk, 635 eggs, 1,210 kilograms of potatoes and 230 kilograms of fruit and berries. The proportion of the private plots in the consumption of the mentioned products by the rural population is 85-95 percent and in the income of a kolkhoz family in some republics—from 18 to 34 percent.

An analysis and summary of the operational experience of LPKh's underscore the presence of considerable potential for not only increasing the volumes and improving the assortments of products for satisfying one's own requirements, but also for increasing the country's commodity food resources. Moreover, it should be borne in mind that the private plots of the population carry out not only the production, storage and processing of products, but at times the sale of a portion of their output as well. Thus this constitutes a solution for that portion of the country's food support problem in which, owing to chronic organizational confusion and neglect, tremendous losses and poor quality goods are the rule, especially in the case of highly perishable products for which there is year-round demand.

Today, with the limitations being removed from private plots with regard to the size of the tracts of land, the norms for livestock and poultry maintenance and the channels for the sale of products, the chief factor for increasing the supplies of food goods—the creation of organizational-economic conditions for intensifying and raising the culture of production.

To a large extent, the solution for these tasks is dependent upon the degree of integration of public production and the private plots.

Considerable positive experience has been accumulated in this regard. For example, let us take the Ploskovskiy gosplemzavod [state breeding plant] in Kiev Oblast. On this farm there are 500 private plots and each family has livestock and poultry. The breeding plant furnishes assistance free of charge in working the private plots, it supplies them with seed for grass and root crops, it sells highly productive young stock, it furnishes assistance in the construction and repair of facilities for the maintenance of livestock, it makes transport equipment available for the procurement of feed and it provides free veterinary services. The best pastures and haying lands are made available for grazing the private livestock and for procuring hay and, when necessary, additional tracts of land are allocated. In all, the population annually procures 5-6 tons of hay and root crops per cow and it obtains grain forage in the form of payments in kind.

From 1981 to 1988, based upon agreements with agricultural enterprises and consumer cooperation throughout the country, the procurements of livestock

and poultry (in live weight) increased by 1.7 million tons, and milk—by 6 million tons. The productivity for potatoes, vegetables and food roots, the average weight for hogs, sheep and goats sold for slaughtering purposes and the yield of young stock for every 100 females were all higher on the LPKh's. According to available computations, in 1988 the gross output obtained from every 100 hectares of agricultural land on a public farm was 30,000 rubles and on LPKh's—almost 20 times more.

Certainly, in the process it should be borne in mind that the owners of LPKh's use public lands and this helps them to achieve relatively high productivities. Thus, almost 20 million hectares of haying and pasture land are being made available to them and they are able to purchase millions of tons of concentrated feed. The kolkhozes and sovkhoses are carrying out various types of agro-zootechnical and other forms of services. But there is one indisputable fact,—fine knowledge of the individual characteristics of the tracts of land in use and careful tending of the animals and plants are producing higher returns from the expenditures. And this fact must be borne in mind, particularly at those times when a decision is being handed down on how best to use the deficit mixed feed and feed additives.

There is still another important consideration. Relying upon the strength of large-scale public production, a portion of the LPKh's, owing to the acquisition of additional land and livestock, can develop into independent working farms. Such a method for organizing "new" production is not linked to a radical breaking up of the relationships that have developed in rural areas. It gradually leads the owner of a private plot to organizing a larger farm and it does not require considerable one-time financial or material investments. In the final analysis, a farmstead of a working farm can be created with fewer miscalculations, since its owner is able to solve many problems concerned with independent production operations and in the absence of haste and compulsion.

There is still one other important reason why the importance of the LPKh's is increasing today. A large portion of the products obtained from private plots, distinct from similar products produced by kolkhozes, sovkhoses and other production formations, as is known, is paid for not during the production process but rather following the sale of the goods. Thus, for the production of a ton of beef, prior to its reaching a meat combine or the market, the labor of the livestock breeders of kolkhozes (sovkhoses) is paid for in the form of an advance over the course of a year's time (roughly 1,600 rubles). This money is placed in circulation, thus creating early demand and disrupting money turnover that is not backed up by an appropriate volume of commodity goods. The picture is different in the case of private plots. According to rough computations, the output of the LPKh's in 1989 forewarned of the appearance of a premature demand of approximately 10 billion rubles.

The LPKh's play an important stabilizing role in supplying food products for their own producers and also for a portion of the population during unfavorable years—as a result of more thorough tending of their crops, they have more stable indicators.

In order to raise the role played by the private plots in solving the food problem, in addition to intensifying integration with public production, improvements should be carried out in their technical equipment. One cannot fail to note that the production base of the LPKh's has remained unchanged for decades and in fact it has even deteriorated to some degree. For example, horses, a primitive and yet reliable tractive force, have almost disappeared. Light mechanized equipment is appearing in small quantities and by no means in all areas. Moreover, such equipment is expensive and not always of high quality. Today, in the non-chernozem zone, for every 100 rural families there are less than 100 types of items that operate on the basis of gasoline or electric engines, 7-8 pumps, 8 separators and 2 straw-cutters. Nor is it always possible, as the saying goes, to purchase on one trip even such primitive work implements as shovels, rakes, scythes, pitchforks or hoes.

Thus work performed in the private plot economy consumes time to the detriment of recreation or the cultural development and training of children. For all practical purposes, no time remains for rehabilitating one's body following heavy physical work.

The organization of rental services and the cooperative use of deficit items of technical equipment is deserving of attention. The LPKh's must be better supplied with concentrated feeds, construction materials, instruments and fuel and the prices for material resources must be made to conform at least to the results realized from their use on the private plots of peasants and manual and office workers.

Many common problems exist between the LPKh's and the orchard and gardening associations. Recently the work concerned with creating them has picked up noticeably. Since 1980, the number of families having orchards and gardens has doubled and exceeds 17 million.

However, notwithstanding the obvious feasibility of extensive development of the orchard and garden economy, strong bureaucratic obstacles still stand in the path of obtaining tracts of land and organizing them. The problem of supplying the populations of large cities and industrial centers with tracts of land continues to remain acute.

Tracts of land for collective orchards are often made available at distances of from 100-120 kilometers from a city. The people are offered swamps, sandy areas, exhausted quarries and flooded lands at times when completely unused or little used tracts of good land are located nearby. The orchard and garden associations are experiencing an extreme need for power and water supplies and for elementary transport services. A system for the sale of surplus products has yet to be organized.

It is possible today to reduce the shortages in a majority of the food products and tomorrow to satisfy the demand for them only on the basis of maximum use being made of the potential offered by large-scale public production, leaseholders, working peasant farms and private plots. Thus there is no point to opposing these forms, but rather we must fully mobilize the potential of each form of production. Such an approach is an important condition for satisfying the country's food requirements, for overcoming the imbalance in the food market and for creating a healthy foundation for raising the material well-being of considerable groups of the population.

Impediments To Farming Initiatives Continue

Construction Support Lacking

904B0237A Moscow SELSKAYA ZHIZN in Russian
20 May 90 pp 1-2

[Article by O. Pakhoma: "With Courage As A Weapon or What is Stopping the Establishment of Individual Farms"]

[Text] The individual farmer for us to a large degree is a mysterious figure. That's how I perceive Nina Pavlian. She left an apartment and a clean job as a secretary in Moscow. Together with her son she left in the Spring and went to the Pskov wilderness to farm. A strange thing to do, I would say.

"We bought an old house with a barn in a run-down village for 1000 rubles," she says. "No lights, no radio. We have 73 hectares of land but don't know what we'll use to work it. The bank won't give us credit for the purchase of equipment, construction materials and other necessities. They advise us to find a rich benefactor, or as they say today, a sponsor! But where do you find one? And it's not just me. My neighbor has already been on television twice but couldn't interest a single industrial enterprise in his future production. Can it really be simpler for them to bother with their auxiliary plots than to help private farmers get started?"

Of course, you do find lucky people among the private farmers. Viktor Chumak, chairman of the "Luch" Cooperative Peasant Farm in the Serdobskiy rayon of the Penza oblast, is one of them. Imagine, just last year having obtained credit in a bank, he built five pre-fab houses, acquired six tractors, and three trucks. For the immediate future he plans to build five more cottages, a barn for 200 head of cattle, a water tower, boiler, and will install utilities. By the end of next year Viktor Chumak plans to have all auxiliary production facilities installed and supplied with equipment for processing the goods which are grown. All this will cost R1.5 million.

"How do you do it?" I wasn't able to keep from asking.

"I'm not bashful about knocking on doors in the CPSU Central Committee, of the leadership in the USSR Council of Ministers State Commission on Food and Procurements and of other Moscow, oblast and rayon

bosses," Chumak candidly admitted to us. "The more persistent the knocking, the more often the door is opened."

That may be true. But I think that it also helps that he is a member of the presidium of the Association of Peasant Farms and Agricultural Cooperatives of Russia [AKKOR] and chairman of an AKKOR oblast branch. Try saying no to such a man!

Well, let's suppose that the entire army of peasants charges into Moscow to ask for and demand what they need. Will there be enough for everyone? And besides, who is going to plow, plant and mow for them during that time. It's worrisome that in undertaking another reform, once again we are letting things drift haphazardly and are counting only on the courage and infinite patience of the new private farmers.

There are already quite a few of them in the country. According to some estimates - 6.5 thousand, others - 12 thousand and still others - 20 thousand. But even this varying statistic, in my view, is very indicative. First of all, it is indicative of the apathy towards the new phenomenon of the private farmer and, at times, hostility. Thus, Soviet agricultural science headed by the VASKhNIL [Lenin All-Union Academy of Agricultural Sciences] still does not have a finished concept for the creation of family farms and private peasant farms. Their legal status, role and place in the system of the agroindustrial complex, their relations with the public sector of the economy and the local soviets have not been defined. Neither is it clear at what prices, retail or wholesale, to sell them raw material, equipment, machines, feed and construction materials.

I have thought that if we lack strategic foresight and cleverness, then, perhaps, we should borrow something from the experience of our forefathers? What don't we, for example, arm ourselves with the instructive portions of, let's say, the Stolypin reforms? After all, back then in 1907-1915 the Peasant Bank allocated 421 million rubles for the purchase of land and its general development. That's not such a small sum, especially if you take into account that in those days a cow cost 5-7 rubles. The peasant was obligated to pay off the loan over the course of 55.5 years. In addition, the state assumed a portion of the expenses.

Today the USSR Gosplan [State Planning Committee] hurriedly has outlined a series of measures so that beginning next year the private farmer can become an economic proprietor with equal rights. I think that it will be done by taking into account a necessary adjustment in the planning process, one of the most important areas which significantly influences the agrarian reform underway.

What is the situation today? According to data of the USSR Committee of People's Control for the past three years the proportion of plans for private peasant farms in the overall volume of design and research work of the institutes was extremely small. Even at the prominent

Giproniselkhoz it makes up less than one percent! The situation is no better today. But maybe the quality of the work is exemplary?

Let's at least take a look at that question on the example of an experimental dairy farm for two peasant families. It will be constructed on the "Sputnik" state farm in the Taldomskiy rayon of the Moscow oblast. R32,000 were spent on the design of this project. And the result? From traditional industrial construction designs on hand Giproniselkhoz came up with a cow barn with an estimated cost of R392 thousand. If you add two houses, a driveway and amenities, this will all cost R600 thousand. On paper! In practice, as we know, it will be twice as expensive.

What will be the result, if, as a general analysis of the economics of the plans has shown, the cost of constructing one stall on a private dairy farm is usually R3.5 - 8.5 thousand and in hog feeding operations the cost is R0.5 - 1.5 thousand! That is 2 - 2.5 times higher than the cost of housing livestock in state and collective farms complexes. With these kinds of expenditures the state will not have enough money for start-up costs for the peasants and they won't be able to pay back their creditors until the day they die.

I recall how at a recent conference Rosagropromstroy [Russian Agricultural-Industrial Construction] Deputy Chairman of the board Yuriy Ivanovich Zubkov said from the rostrum:

"We already have 40 projects. Another 60 are about to come off the drawing boards. In all, our institutes alone will spend R300 thousand in two years. And what of it? There's no demand for the documents! It turns out that all our work just sits on shelves. To a large degree because the new planning work has been organized all wrong."

"There are still no fundamental documents on which to base construction standards for family farms as well as methods for selecting their optimal capacity. Or, tell me, can an institute create a viable, contemporary project and the planning organs accurately establish the requirement for monetary and material-technical assistance to the farmers if standards for specific capital investment levels for construction and reconstruction with allowances for climatic zones and construction methods are missing, if questions regarding the mechanization of technological processes and labor intensive operations have not been worked out, if the types of special, small-scale equipment and machines for the family farms have not been determined? Of course, not."

It turns out that the destiny of the individual peasant farmer is still the shovel. Once again we forget about the age-old truth: the economic and social effects must converge at the same point. I mention this also because at a recent exhibit of projects the meager selection was very noticeable.

"In the leading TsNIIEP of Grazhdanselstroy [Civil Construction] they were not able to propose anything worthwhile," said Nina Pavlian. "As it turned out, they hadn't dealt with private farms at all before this year. I found the design for my house by accident, through a friend."

There's nothing to say, the Kiev TsNIIEP worked out an excellent design. A compact two-story house with five rooms, a winter garden and small decorative pool. There is a sauna with a circular shower, a work shop. In the basement there is a place for vegetable storage and even an anti-radiation shelter. Truly if you're going to begin a construction project for your whole clan, then do it in such a way that not only you but your grandchildren can live in comfort. Pavlian has already signed a contract with a Pskov institute for finishing the house and out-buildings. She calculated to the smallest detail how to reduce costs: instead of an all-concrete foundation, she proposed to the designers that they use a mixture with rock. Fortunately there is all the rock you would need in a nearby quarry. Sand and lumber are also acquired locally...

As we see, an intense desire to change one's accustomed way of life requires real and specific deeds.

"A negative attitude toward the private farm was constantly drilled into us," said Boris Aleksandrovich Makhanko, director of the Grazhdanselstroy TsNIIEP. "In essence, besides the Orlov experiment all the others were directed towards the destruction and not the resurrection of the village."

It would seem that with such a sober understanding of reality the huge departmental architectural-design army of specialists would be able to move mountains, helping real farmers get started faster and more comfortably in their new places. But no, there are only four projects in operation and those were ordered by the RSFSR Gostroy [State Construction Committee]. They never seem to get to the analysis and collection of final data and the elaboration of the principles of creating the general plans for the family and private peasant farms. That is troublesome. After all, already once several years ago the USSR Committee for People's Control noted serious shortcomings in the activities of this institute: internal paper creations, isolation from real life and the existing base of the construction industry, and a lack of desire to create a policy of village reconstruction.

The ground is still a little shaky under the farmers. Will they be able to survive? The job of the wise man is to see trouble before it arrives and the job of the brave man is to deal with the trouble after it arrives. That's what they used to say in ancient times. It wouldn't hurt today to follow their advice.

Letters Describe Local Problems

904B0237B Moscow SELSKAYA ZHIZN in Russian
2 Jun 90 p 1

[Article by S. Obolenskiy from Kazakhstan, Yu. Shtatnov from the Gorkiy oblast, L. Oganessian from Armenia and V. Okunev from Moldavia: "Private Farmer, Where Are You?"]

[Text] On 15 March the Fundamentals of Legislation of the USSR and the Union Republics on Land went into effect. The most innovative facet of this long-awaited act is the declaration regarding the right of each citizen of the country to obtain land for lifetime ownership with the right to pass it on to one's heirs. The law has been operative already for two and a half months. Operative or inoperative? A number of the newspaper correspondents received the assignment to check up on this. Here is what they report.

S. Obolenskiy - from Kazakhstan:

In the middle of April at a session of the Presidium of the Kazakh SSR Council of Ministers it was noted that in the republic the number of citizens desiring to obtain lifetime usage of the peasant land allotment is increasing. However, sluggishness on the part of the ispolkoms of local soviets and conservatism of farm managers is holding up review of their applications.

Today the situation essentially remains the same. Despite a lengthy search in the very large Kustanay oblast, I was not able to find a single rural soviet in which a commission of deputies was working to identify land which could be given to those desiring to obtain a peasant farm. And if that doesn't exist, everything is decided by a local administrator especially since now many state and collective farm leaders have become chairmen of the rural soviets as well. It is not difficult to imagine what such a concentration of authority in one person can lead to.

Here is a typical example. As recently as a month ago three city dwellers turned to A. Pugachev, director of the Shcherbakov state farm in the Ubaganskiy rayon, with an application in which they stated their intention of moving to a rural area if they could be provided 100 hectares of land for lifetime usage. The director agreed but presented a condition: you will receive the land if you sign a contract on the delivery of agricultural products to the state farm. In essence, he was talking about an internal farm lease which does not allow a person to independently dispose of the fruits of his own labor. As a result the sides never did reach agreement.

Yu. Shtatnov - from the Gorkiy Oblast:

Villagers have been referring to Nikolay Posotskov as a private farmer for two years already. An experienced specialist who did much for his "Yelizaryevskiy" collective farm which is in the Diveyevskiy rayon, he built a quality yet inexpensive finishing feeder in his own farm yard, bought an old T-25 tractor from the collective farm

which he found on the junk pile, assembled a trailer and plow and started fattening young calves.

So, the first private farmer appeared in the "Yelizaryevskiy" collective farm? Don't be in such a rush. For the time being Nikolay Fedorovich just has a solid auxiliary plot which operates on contract with the collective farm and is almost completely dependent on it and subordinate to the fulfillment of its production plans. Posotskov would like to take the land, if not forever, then at least for 20-30 years but management just can't locate a "suitable plot." They don't want to give up fertile ground and it would be a little embarrassing to offer worthless land.

Under approximately the same conditions V. Kolesnikov of the "Teplovskiy" state farm in Kulebak fattens calves and T. Novikova keeps a herd of milk cows, A. Frolov of the "Leninskiy Put" collective farm in Varnavino produces milk and broiler chickens, the "Lenin" collective farm in the Sharangskoy rayon transferred a new facility for 100 cows with a dispensary for young calves and 50 hectares of land for feed production to the Arsibekov brothers, Aleksandr, Valentin and Mikhail.

You can talk about true independent private farms in the Gorkiy oblast as a thing of the future. Why? Here is the opinion of Deputy Chief of the Oblast Agroindustrial Directorate N. Lugovoy:

Legislation on land is imperfect and vague. Therefore, today's collective farm worker, industrial worker, specialist and city dweller do not want to risk starting their own operation and the farms are too slow in tearing away land, as a rule, worthless land, and giving it to the soviets. Therefore there is no precedent in the oblast when a lessee has received official title to land ownership.

And besides, the legislative registration of the citizen's right to land is unfinished. But it's also true that nobody and nothing keeps the local soviets from demonstrating initiative and good will. Four workers from the Gorkiy Agricultural Institute have been dreaming of become private farmers for a long time but cannot find a collective or state farm which will give them land and construction materials to build feeders. The same N. Posotskov is begging for a plot of land where he can raise feed. And there are dozens like him.

In my view, people in the oblast are still living according to the laws of "campaign mentality." If a call comes "from above," the wheels start turning. If there's no call, there is only silence below.

L. Oganessian - from Armenia:

The commission of the Armenian SSR Supreme Soviet in conjunction with Gosagroprom and the Ministry of Justice are working on a new Armenian SSR land code. Because of this titles to lifetime ownership of land are

not being issued. Because of the same reason the creation of individual peasant farms has been delayed.

V. Okunev - from Moldavia:

In Moldavia there are still no private farms in the pure sense. In the first place, the laws on land and the lease system have yet to be adopted. But even when the legal opportunity appears to personally own land, many complications will arise, as some specialists believe. It's no secret that the population density in Moldavia is very high, including the rural population. There is relatively little agricultural land. For example, preliminary calculations were done in the "50 Year Anniversary of the CPSU" state farm in the Leovskiy rayon and they found that there are only five hectares of land for each worker. And what do you do with those who do not work on the farm but live in the village and want to get land?

True, nobody yet has expressed a desire in this state farm to become a private farmer.

The lease contract suits people, asserts F. Sekriyer, state farm director and candidate of economic sciences. Recently a number of workers increased the area of their garden plots by one-half hectare and nobody wants to take any more plots.

Maybe, there are people who would like to become private farmers in the weaker farms? It's impossible to generalize but everyone that you happen to speak with says the same thing: it's too early to think about private farms. The majority of people point to one reason in all this - the absence of necessary equipment.

If you plant wheat on several hectares, says machine operator I. Pynzaru from the village of Dragoneshty, it would not be profitable. Grapes and vegetables on that much land require a lot of work in growing and harvesting, storing and marketing. And you can't do much with a hand-sprayer and pruning shears.

Letter From Moldavia

904B0237C Kishinev SELSKOYE KHOZYASTVO
MOLDAVII in Russian No 5, May 90

[Article by G. Radulov: "How I Wanted To Be A Private Farmer"]

[Text] I, your reader and correspondent, propose that a section of complaints, proposals and comments from peasants be opened in this magazine. (To tell the truth, I am a resident of Kishinev now but I have links with the land.)

Such a section is necessary. There cannot be any progress in agriculture without it. We write a lot, complain, propose but there is no response from those who decide the fate of this particular issue.

The people who answer should let us know what opinion they have on a particular question.

This is the first article of this series:

Now there are more peasants than city dwellers standing in line for food products in Kishinev. That's why last year I got the idea of becoming a "private farmer." I made several visits to the central market and finally wound up with 30 chicks. Earlier in the winter I had prepared millet for feed.

There was no end to my joy. Of course, other buyers took 100 or more chicks, but for a start and in order to learn how to take care of them, I figured that 30 chicks would be enough.

That was in April. The chicks began to freeze. In spite of the precautions I took, 16 chicks died, some of them suffocated. The chicks on the outside try to get inside the group for warmth and squish the ones in the middle. And the fight to stay warm goes on all night.

I could not fire up the stove. That would have required a lot of heat and fuel. Of course, after all that I did find a solution. From an electric lamp I made a heater and then I got the idea to use an electric hot water bottle. If I had used that at the very beginning, not one chick would have died; it would have been so warm they would have slept scattered about.

From inexperience I lost 47 kopecks X 16 = 7 rubles 52 kopecks. Why doesn't the state produce a small incubator? It's not as complicated as a tractor or an automobile. A simple thing. Why knock ourselves out standing in line to buy chicks when it would be easier to follow instructions and hatch them ourselves.

As a peasant I appeal to the leaders of Moldavia: manufacture a small incubator. People will grab them right up; they will buy all of them.

...I began to raise these 14 chicks (6 hens and 8 roosters). While they were small, I didn't notice any problems with feed but then a variety of problems cropped up. A chicken is not a rabbit. You have to cut grass, green onions, cut the tops off radishes, and chop up everything with a knife into small pieces. And I did that everyday until my hand swelled up. Would it really be that difficult to manufacture a small feed grinder? Nobody thinks about anything, apathy.

I made the rounds of the farm products stores, maybe some Christian individual had made a feed grinder. Yes, I found one: it cost R260 and you could supply feed to an entire cooperative or collective farm with it. But even that had already been sold.

You don't need to invent a feed grinder. About 60 years ago there were hand and horse-driven hay cutters. They are simple to use—after all, they are not nuclear power plants. A peasant has to be a jack-of-all-trades. Manufacture three models in different sizes. I need a small one, others might need a larger one, maybe they have sheep or a cow, etc.

It hurts so much, it's embarrassing and unconscionable that in the 20th century nothing has been done for the

peasant! Let's hear from you, leaders, who can manufacture a small feed grinder? Cafeterias will buy them to chop dill, parsley, green onions.

You eat platsynda mixed in with dill and your hands start to shake. We don't need an electric one, but just a hand grinder like our grandfathers had. We're waiting to hear from you, leaders.

COPYRIGHT: Izdatelstvo TsK KP Moldavii, "Selskoye khozyaystvo Moldavii", 1990

REGIONAL DEVELOPMENT

Further Material on Emergence of Agrarian Union in Belorussia

New Union Chairman Identified, Interviewed

904B0244A Minsk SELSKOYE KHOZYAYSTVO
BELORUSSII in Russian No 5, May 90 pp 2-3

[Interview with Candidate of Economic Sciences Konstantin Mikhaylovich Yermolenko, scientific associate of the Belorussian Research Institute for Economic Problems of the Agro-Industrial Complex, by A.I. Astreyko: "To Protect the Bold Peasant"; date and place not given]

[Text] The founding conference of representatives of peasant cooperatives, peasant farms and lessees was held on 16 November 1989. There was an announcement there about the establishment of the Belorussian Peasant Union.

The First Congress of the Belorussian Peasant Union took place in Minsk on 28 February of this year. Konstantin Mikhaylovich Yermolenko, 29-year-old candidate of economic sciences and scientific associate of the Belorussian Research Institute for Economic Problems of the Agro-Industrial Complex, was elected chairman of the board of the union.

[Astreyko] Konstantin Mikhaylovich, please tell us about the objectives of the Peasant Union.

[Yermolenko] The objective of our union is to provide practical assistance to members of cooperatives and farmers in all questions of everyday life and in material-technical supply and to protect their legitimate rights and interests. This is help to farmers and lessees with the necessary literature, reference manuals and methodological aids. It is assistance in establishing their farms and in organizing work on a scientific basis. It is legal help when conflicts arise. It is necessary to establish oblast and then rayon associations of peasant farms and to organize training for those who want to become cooperative members or farmers. People must know all that is best in the management of farms that is available here in the country and abroad and they must be well versed in jurisprudence and finances and know their rights and obligations. We intend to represent the interests of peasant farms in the legal work of our soviets and courts.

We plan to organize exhibitions and to propagandize the experience of the best lessees and farmers.

[Astreyko] Why is such an organization needed?

[Yermolenko] This is not the first time that we have been asked this question. They said that we should establish a main committee under Gosagroprom [State Agroindustrial Committee] and sections in the oblasts and rayons for the management of cooperative organizations and farmers. But the experience of some republics as well as our first steps indicate that the new peasant movement does not fit into the old framework of the administrative system. The lessee and farmer are free people and do not want anyone to command them or give them any instructions. Our union is a public organization and it has been stipulated that people can join it or leave it freely. If you want someone to protect your interests, join our union. If you do not, no one is going to take you by the hand. The interests of Gosagroprom are basically the interests of kolkhozes and sovkhozes. Such a position would infringe upon farming.

[Astreyko] Who initiated the establishment of the Peasant Union?

[Yermolenko] The initiative came from a group of scientists in our institute. They included Vladimir Grigoryevich Gusakov, Mikhail Antonovich Zaleskiy, Vasily Vladimirovich Yefremenko and Mikhail Nikolayevich Antonenko. We were given this idea by a letter from Vladimir Korotchikov, which was addressed to the institute and came to the department where I dealt with questions of cooperation and farming.

"I want to become a farmer," wrote Vladimir Ivanovich, "so that I can work together with my parents and friends and so that I can gain complete freedom of action. I work as a tractor driver at Kolkhoz imeni Krupskaya in Rogachevskiy Rayon and I live in the village of Ozeryana. I came here from Buda-Koshelevskiy Rayon and have been working as a tractor driver for a little over three years. But there is no end to my indignation. Here there is so much gross injustice that it is just unimaginable. The people who really work, who grow the harvest and raise livestock live from one wage payment to the next, whereas the bosses get paid for nothing. And how they are paid!

"According to the results of 1988, office workers and specialists received 1 ruble 59 kopecks per earned ruble. And in the spring they got another three salaries for some unknown reason. But a simple kolkhoz worker received an average of 30 kopecks per earned ruble.

"Looking at such a division, will there really be a desire to work? None! And without this desire, there will be no products on our tables. For this reason, I want to farm independently and not to feed dozens of freeloaders with my labor. I am thinking about borrowing 10,000 rubles from the state and buying a house in a dying village, taking 10 hectares of land, maintaining five milk cows

and raising five bulls. In addition, I want to keep bees, refrain from the use of any chemicals and produce biological products.

"I am 28 years old, married and have two children. I think that it is still not too late to be a farmer and I am hoping for success. But I need help in acquiring machinery, seed and special literature and I need legal guarantees and protection."

Previously having dealt with lease, cooperative and farming relations in agriculture, I certainly saw that the people working in the new way have neither a legal guarantee, nor juridical protection nor assistance. This gave rise to the idea of establishing an institution that would fulfill these functions.

Our institute established an organizational committee that worked energetically. We came out in the youth press with the question: "Do you want to become a farmer?" And we collected information on the number of agricultural cooperatives and individual farm holdings.

We had more than 200,000 such organizations in the republic at the end of last year. It is said that bold people are presently taking this course. We decided to consult with them, listen to their needs and requests and find out whether they need such an organization on the scale of the republic. "It is needed!" they declared at the conference that was held in November of last year, "not only on a republic scale but also on an oblast and rayon scale!"

Having secured the support of cooperative members and farmers, we dealt with organizational and methodological work.

And now the Belorussian Peasant Union is officially registered and they elected me as its freed chairman.

[Astreyko] How is the union funded?

[Yermolenko] Primarily through members' dues. The fee for joining is 10 rubles per person and the annual fee is the same.

Secondly, we got some sponsors, including the Belorussian Union of Cooperatives and several city cooperatives interested in the production of agricultural output. They subsidized certain amounts, which provided us initial support.

[Astreyko] Of interest is the question of the union's staff.

[Yermolenko] For the time being, I am the freed chairman of the board and an accountant is working for us in addition to his other positions. Later on we are thinking about establishing juridical, information and material-technical services.

[Astreyko] And how are your relations with Gosagroprom working out?

[Yermolenko] At first we did not have any relations. They did not want to recognize us. For a long time, the prevailing opinion in the republic was that we do not need the cooperative movement and farming. They said that we have basically strong kolkhozes and sovkhozes and that we must not squander them. They refused to register us and to provide us with premises. This year we wanted to establish supporting peasant farms and farmer schools. We thought about organizing training here for tractor drivers and machine operators and providing instruction in financial matters. But this has not yet come about.

True, at the congress of the Peasant's Union, Belorussian Gosagroprom Chairman Yu.M. Khusainov declared that material and financial assistance will be provided in the establishment and development of new peasant farms. He proposed turning over part of the resources of Gosagroprom to the union. I think that in the future our relations will become businesslike. Locally, to be sure, we are still encountering veiled opposition. For example, they promised to provide us with some equipment. The cooperative members and farmers go to the rayon and are told: "Go to the oblast." In the oblast, they send the cooperative member to the rayon. There are very many such examples.

[Astreyko] You doubtless need help in the process of formation. In what form would you like to see it?

[Yermolenko] The most vexing thing is that we are still outside the law. The republic has no decree or law on farmer and cooperative holdings and this is the reason for all of our troubles. Legal acts will be passed. I have no doubt about this and I intend to participate all I can in their formulation. Everything will work out.

[Astreyko] It can often be heard that we have no available lands.

[Yermolenko] I have also heard this. But we have a great deal of the so-called no-man's land. The following situation is possible, let us say. A lessee comes to a kolkhoz chairman and asks: "Give me that section." "It does not belong to us," he hears in response. "To whom does it belong?" "I do not know," answers the chairman. And it can be said that such cases are typical. This is why at the congress of the union we asked the government to take stock of all lands. I think that with a careful accounting many hectares of unregistered lands will be found that can later be turned over to all those wanting them for peasant farm operations.

The cooperative and farmer movement needs help at all levels. So as not to be without proof, I will present excerpts from one of the many letters that we have begun to receive.

"Prior to the sowing campaign last year at Progress Kolkhoz in Goretskiy Rayon, where I have worked all of my life," writes A.I. Timoshchenko, "several cooperatives were established: in animal husbandry, plant growing, transport.... This caused quite a stir. Managers

of all levels promised their help and support to the cooperative members. But as a matter of fact, I do not see any of this help.

"We have to pay three times as much as the kolkhoz for fuel and the prices for equipment and spare parts are exorbitant. I sell milk to the kolkhoz for 27 kopecks per kilogram and it receives a 70-percent subsidy for it, which means 46 kopecks. The situation is the same with meat, which I sell to the kolkhoz for 1 ruble 92 kopecks per kilogram. They receive a profit and I remain with my interests. It is quite discouraging to encounter such occurrences.

"Things need to be set up so that machinery and equipment is sold to the farmer for the same price as it is to kolkhozes and sovkhozes. He must be given spare parts, fuels and lubricants, fertilizers and so on under these same conditions.

"The farmer must also sell his own output for a normal price. And the land must be given to me not by the kolkhoz but by Soviet authority and not for a year but for life."

I think that A.I. Timoshchenko is right. One must not set up any obstacles to farming.

[Astreyko] Many say that farming and the cooperative movement are not viable in Belorussia and that they will not develop extensively. They say that this can be done only at weak and inefficient kolkhozes and sovkhozes. And they say that here no one wants to work in an agricultural cooperative or on a farm.

[Yermolenko] I do not agree. The experience of the Baltic republics, where they allocate land to all those wanting it, also confirms this. Yes, over many years here in the republic the peasant developed a psychology of being a hired worker. And this is why he is in no hurry to overcome this state. But let us look and see who in these same Baltic republics are becoming farmers. They are mainly specialists from kolkhozes and sovkhozes as well as from the rayon link, people who consider themselves superfluous in production. And according to their comments, they are satisfied with their fate. Do we have no such people? Certainly we do. I will present the following figure. The republic has 100,000 machine operators and an equal number of managers over them—one foreman for each slave, as they say. If many of them are offered the opportunity to work in cooperatives or as farmers, most of them will agree to it. You just need to establish the conditions for the people. So far, this movement is being held back by economic controls. A hectare of land, let us say, costs from 300 to 1,000 rubles for a farmer. Impose a tax of that size on the kolkhoz and see what happens. Nor have the prices for output been equalized. The state must pay the peasant the difference between the wholesale and retail price for equipment and spare parts. Everyone says he is for leasing but in most cases attempts by a peasant to open an account in a bank run into a solid wall.

I remember a conversation on this subject at the congress of the Peasant's Union between A.A. Goluboy, chairman of the Flora Agricultural Cooperative in Borisovskiy Rayon, and V.A. Sidorov, department head at Agroprombank [Agro-Industrial Bank]. The cooperative chairman asked for a loan of 3,000 rubles. The bank asked him to name a kolkhoz guarantor. But why would a kolkhoz guarantee anyone?

"But the bank workers violated the rule," said Sidorov. "They could give you a loan backed up by buildings or personal property. There is a security and surety system...."

"The bank's tradition is not to give," said a leasing horticulturist. "Why do they need extra worries? They would have to go out and evaluate my property. This way they just demanded a piece of paper from the chairman and could sit quietly."

There are cases in which people ask for a plot of land, saying that they passed a law in Moscow. But they are told: "They passed these laws in Moscow, let them give it to you. We have our own laws."

In short, we have already received many complaints about incorrect actions by responsible workers at different levels against peasants. Most of them are coming from Brest and Grodno oblasts. Well, we are going to defend people who are unfairly hurt.

[Astreyko] Konstantin Mikhaylovich, this must be your first commandment. How do you intend to organize the work in the future?

[Yermolenko] Certainly it depends upon how many farmers and lessees we have. I think that the republic has the most favorable conditions for the development of these farms, especially in questions of material-technical supply. There are even many who envy us. They say that we in the republic have the tractor and combine building plants, Lidselmash and Bobruysfermmash, and other enterprises. And if they provide even a small part of the equipment that they produce for the needs of farmers, then this will be a regenerative force for them. And things are moving in this direction.

And we will organize our work according to the number of peasant farms.

Figuratively speaking, we have established a crown—the republic board of the union, which includes 11 people. There are more than 200 organizations of farmers and cooperatives that represent the roots. It is necessary to form the trunk of this great tree. It is necessary to establish oblast peasant associations and, as we increase the number of people employed in this work, rayon associations. We reached agreement with the initiators of the new movement in the oblasts and soon peasant associations will be established there.

The union board basically included managers of lease collectives and farmers. They are bold and enterprising people who know how to stand up for themselves as well

as for their comrades. They have been entrusted with the formation of a directorate. Among them are the chairmen of agricultural cooperatives V.V. Trukhan from Smolevichskiy Rayon, his colleagues P.K. Novikov from Zhlobinskiy Rayon and I.I. Kolesnikov from Gomelskiy Rayon, V.S. Skrobov, director of Drissnenskiy Sovkhoz in Verkhnedvinskiy Rayon, managers of lease collectives A.F. Khlebus and G.I. Kochetkov from Pinskiy and Bobruyskiy rayons, respectively, President of the Belorussian Union of Cooperatives N.V. Susha and other comrades.

[Astreyko] Tell us, please, about the first steps in the work and about the plans for the future.

[Yermolenko] As a rule, they write us letters and call us up, asking: How do we start farming or lease work? Then it is necessary to explain, to give recommendations and advice and to teach how to organize financial and legal relations with the local soviets. And recently representatives of three families called us at almost the same time from Borisov with the request that we help them find a place where they could work. They also called from Bobovskiy Sovkhoz in Zhlobinskiy Rayon, saying that they can turn over a farm with 100 head of cattle and 300 hectares of land under farming or lease relations and provide equipment and credit. So we connected the people in Borisov with the sovkhoz in Zhlobin. Unfortunately, such proposals are still the exception.

We helped the lessee I.P. Strunevskiy from Berezinskiy Rayon find a sponsor in the person of the scientific-production system under the Minsk Komsomol Obkom. The lessee got a loan from them under mutually advantageous conditions and bought a truck and other equipment. We are helping the Drut Agricultural Consortium to organize relations with the Minsk Tractor Plant. We give recommendations, send methodological literature to our collectives and help some people resolve questions with local soviets about the allocation of land. In short, ordinary everyday work.

Life has shown that the union board also needs to deal with economic activity. Not every cooperative member can buy all of the necessary equipment. The union can acquire it and lease it. As in the United States, for example, where there are about 40,000 cooperative members. There there is a cooperative for the growing of produce and next to it a transport cooperative. They sign contracts under mutually advantageous conditions and the transport workers provide the producers of output with the necessary vehicles.

In the future, I think, the board of the Peasant's Union will deal with interrepublic and international ties and have its own bank and printing department. Enterprises will be established at the oblast and rayon levels for the manufacture and repair of the necessary equipment and they will have their own bank branches. Life requires a search.

The obstacles in the path of the development of peasant farms will be removed and this means that people will develop great labor activity and will become the real masters of their fate.

COPYRIGHT: "Selskoye khozyaystvo Belorussii", 1990

Reason for Peasant Union

904B0244B Minsk SELSKAYA GAZETA in Russian
1 May 90 p 3

[Article by V. Kuklov: "The Peasants Unite in a Union"]

[Text] As you know, a group of people's deputies of the USSR and farm managers came out with an initiative for the establishment of a public organization called upon to defend the interests of rural workers. An organizing committee has been set up for the preparation of the founding congress of the All-Union public organization "USSR Peasant's Union." Supporting this decision, a group of agrarian deputies from the Belorussian SSR, republic Council of Kolkhozes and Belorussian Gosagroprom established an organizing committee for the preparation and carrying out of a Belorussian congress of agrarian specialists. Its first meeting was held in Minsk.

It was decided to convene the congress in the last 10 days of June. It is planned to elect the delegates by 20 May at oblast conferences of representatives of peasants and workers elected at meetings of kolkhoz members, labor collectives of sovkhozes and other enterprises of the agro-industrial complex. In a parallel manner, delegates will be elected for the founding congress of the USSR Peasant's Union, which will be held 11-13 June in Moscow. The standards of representation were determined by the organizing committees for the holding of the congresses: one delegate per 2,800 workers taking into account peasant farms and lessees for the republic congress and one delegate per 23,000 people at the All-Union congress. The peasant farms and lessees delegate one representative to the congress from the oblast.

The agenda of the republic congress will include questions having to do with the establishment of a Belorussian Union of Agrarian Specialists, its objectives and tasks. It is necessary to elect a chairman of the union and his deputies and to adopt a program and statute for the new organization. The question of its status remains open. The basic documents are still being worked on but their drafts will appear in the press for broad discussion in the near future.

A.A. Chernyavskiy, deputy chairman of the organizing committee, comments on the results of the meeting:

"Why is a union of agrarian specialists necessary? I think that it is impossible to resolve the problems of peasants and to regenerate agriculture without such an organization. The objective of the union is to participate actively in ensuring the priority development of the agrarian sector of the economy, to establish a social equilibrium between the cities and villages and to raise the prestige of

peasant labor. The organization will work under the principles of self-government and will unite the collectives of kolkhozes, sovkhozes and agricultural cooperatives, lessees and farmers. Organizations and enterprises of the services sphere and processing branch, the rural intelligentsia and scientists and agrarian specialists will be equal partners in it. This will be an organization having legislative initiative and acting through its representatives elected to the soviets of people's deputies. But the main task of the union is above all the political, economic and juridical protection of peasants."

Yu. M. Khusainov, first deputy chairman of the Belorussian Council of Ministers and chairman of the republic Gosagroprom, took part in the work of the organizing committee.

Agrarian Union Program

904B0244C Minsk SELSKAYA GAZETA in Russian
15 May 90 p 3

[Draft program of the Belorussian Union of Agrarian Specialists]

[Text]

Draft Program of the Union of Agrarian Specialists

The food problem has become the main measure of perestroika. People assess the work of agriculture by what they have on their tables. At the same time, rural problems have not become a priority in the work of state and economic bodies. They are not providing for an equivalence of prices for agricultural output and industrial goods and services. The economy of many kolkhozes and sovkhozes does not permit a rapid increase in the production of agricultural output, the social restructuring of the rural areas or the improvement of the working and living conditions of rural workers. The outflow of manpower resources from rural localities has not been stopped. The alienation of the peasant from the land and means of production is being overcome only slowly. The supplying of the rural areas with resources is worsening and direct capital investments for kolkhozes and sovkhozes are declining. The enterprises of the food and processes branches of industry are in a difficult state.

In the course of the restructuring of the Soviet society and in the conditions of the development of democracy and glasnost, the real possibility arose for an acceleration of the freeing of the rural economy and of the APK [agro-industrial complex] as a whole from the negative legacy of the past. The laws of the USSR passed on cooperation, the land, property and leasing are contributing to this.

The development of the political activity of the people and the realization of the seriousness of the situation in agriculture and in the APK as a whole and of its political and economic importance for our society dictated the establishment of a Belorussian Union of Agrarian Specialists called upon to activate kolkhozes, sovkhozes, the

peasantry, enterprises, state organizations, scientists and agrarian specialists and all rural inhabitants for the active implementation of perestroika, the comprehensive development of the APK of the republic and the protection of the rights and interests of its workers.

I. General Positions

The Belorussian Union of Agrarian Specialists (henceforth Union in the text) is a public and self-governing organization. The increased public activity of the people and urgent economic necessity dictated the uniting of the labor collectives of kolkhozes, sovkhozes, interfarm and processing enterprises, cooperatives, lessees, peasant farms, agro-industrial and peasant associations and organizations and all inhabitants having to do with the economic and social development of the rural areas and of the APK as a whole.

The Union is in favor of the accelerated restructuring of the countryside and of the entire APK and its efficient and comprehensive development.

The Union acts in accordance with the Belorussian Constitution, the laws of the USSR and Belorussian SSR, its program and democratic and constitutional methods and fully adheres to the principle of glasnost.

II. Objectives, Tasks and Basic Forms of Action of the Belorussian Union of Agrarian Specialists

The objective of the Union is to participate actively in ensuring the priority development of the agrarian sector of the economy in the interests of the rapid increase in the production of food products, the establishment of a social equilibrium between the cities and villages and the improvement of the prestige of peasant labor.

For this purpose, the Union will resolve the following tasks:

- strive for the acceptance and implementation of the decisions of the government on the accelerated development of the republic APK, the social restructuring of the rural areas, the raising of prosperity and the improvement of the working and living conditions of the rural population;
- participate in the formulation of agrarian policy in the republic and work out proposals on parity interrelationships between the APK and other branches of the national economy;
- strive to develop legal measures to limit the monopolism of departments and giant plants and write off the indebtedness of kolkhozes, sovkhozes and other enterprises caused by the increase in prices for industrial output and by other voluntaristic distortions;
- defend the rights and public importance of the rural laborer. Openly and high-mindedly come out against decisions and actions that are slowing the development of the rural areas and make proposals to soviet and economic bodies on the cessation in the agrarian

sector of the execution of decisions made without the approval of the Union and harming agro-industrial production;

- protect the legitimate political and economic interests of peasants and other workers of the APK and their justifiable demands on soviet and economic bodies and organizations. If necessary, carry out collective actions in defense of their interests;
- reject any illegal intervention in the determination of the forms of management, the organization of production and administration. Actively help to make peasant labor the most prestigious and respected labor. In the interests of all of the people of the republic, the peasants must hold a prestigious position in the society;
- improve production relations in the APK and strive to make sure that all economic formations, kolkhozes and state enterprises, cooperatives and peasant and other farms have equal economic conditions of work;
- help to develop democracy in production, to raise the creative activity of workers and to establish the conditions to make them the masters of the land, the means of production and the results of their labor;
- participate in the elaboration of a price policy for produced output as well as for the means of production provided by other branches of the national economy. Strive to make sure that republic agencies will not make changes in technical conditions, state and branch standards and prices for produced output and industrial products for the agrarian sector without the approval of the Union;
- help in the development of agrarian science and the realization of scientific-technical progress in the APK. Help to eliminate the technical backwardness of agricultural production and of the industry processing its output;
- take part in the development of measures for the conservation, improvement and protection of the environment, rivers, reservoirs, fauna and flora;
- provide the necessary assistance to APK workers and enterprises in legal and economic matters and formulate and present proposals on necessary changes to enforceable enactments;
- be concerned about the improvement of the organization of the mental and physical development of rural youth, the spread of agricultural knowledge and the comprehensive mastery of rural occupations by the inhabitants of the countryside. Help in the restoration of traditional trades in the rural areas, moral norms and the best popular traditions;
- contribute to the development of education, culture, public health, social security, trade and domestic

services in the rural areas and strive for equal conditions in these areas in comparison with those provided for urban dwellers;

The Belorussian Union of Agrarian Specialists helps in the formation and work of analogous public organizations in the oblasts and rayons and relies on them in its actions. The Union performs its work in close interaction with soviet and economic bodies of the republic, public organizations and scientific institutions and cooperates with all progressive forces interested in affirming the proper position of the peasant in the society.

The Union establishes and develops foreign economic relations with peasant and other foreign organizations.

III. Administrative Bodies of the Union

The congress of agrarian specialists of Belorussia is the highest governing body of the Union and the Union Council manages its activities in the period between congresses.

The congress is convened by the Union Council at least once every five years. An extraordinary congress may be convened at the demand of at least one-third of the members of the Union.

The congress of agrarian specialists of Belorussia:

- makes decisions on the establishment or abolishment of the Union;
- elects the staff of the Union Council and reviews reports on its actions;
- affirms and changes the Union Program and its statute;
- specifies the immediate and long-term tasks of the Union and also examines other questions.

The work of the congress is guided by a presidium that it elects. Decisions are made by a simple majority of votes of delegates present.

Agrarian Union Statutes

904B0244D Minsk SELSKAYA GAZETA in Russian
15 May 90 p 3

[Statute of the Belorussian Union of Agrarian Specialists]

[Text]

I. General Positions

1. The Belorussian Union of Agrarian Specialists (henceforth called the Union) is a public self-governing organization of voluntarily associated collectives of kolkhozes, sovkhozes, agricultural cooperatives, other agricultural enterprises and organizations, lease collectives, independent peasant (farmer) holdings, citizens with private

plots, organizations and enterprises serving agriculture and processing its output, the rural intelligentsia and agrarian scientists.

The objective of the Union is the protection of the rights and social and economic interests of the members of the Union, the implementation of fundamental social and economic reforms in agriculture and the provision of its priority position, the granting of the free choice of forms of management and control over produced output and income from its sale, improvement of land relations and provision of normal living and working conditions.

The Union strives to carry out measures to strengthen the material-technical base of agriculture and processing enterprises, to increase the volumes of capital investments, to establish economically justified prices and standards for the output of agriculture and industry and the improvement of the tax and financial-credit system and helps in the transition of the APK to a regulated market economy.

The Union strives to make effective use of the huge potential that exists in agriculture to improve the food supply of the population of the republic and country.

2. The Union is guided in its actions by the Constitution of the USSR and the Constitution of the Belorussian SSR, the laws of the USSR and the Belorussian SSR, the decisions of the congresses of agrarian specialists of the Belorussian SSR, the present statute and the decisions of the governing bodies of the Belorussian Union of Agrarian Specialists.

3. In accordance with the Constitution of the Belorussian SSR, the Union and its council have the right of legislative initiative.

The Union participates in the management of state and public affairs through its members elected to soviets of people's deputies.

The Union promotes candidates from among its members for elections for state bodies of authority at all levels and strives to get them elected. In the Belorussian SSR Supreme Soviet and local soviets, it establishes groups of agrarian specialists from among the elected members of the Union, who represent the interests of the Union in legislative bodies.

4. The Union helps to raise the prestige of labor on the land and to involve the young generation in raising up agriculture and strives to implement measures to improve the living conditions of veterans of labor and war and the families of soldiers who perished.

II. Basic Tasks of the Union of Belorussian Agrarian Specialists

To implement its objectives, the Union:

—helps to establish equal economic, social and legal conditions for the development of different forms of ownership and management on the land and to open

up lands that are not being used rationally for the establishment of peasant farms and agricultural cooperatives;

—assists in organizing mutually beneficial economic ties between kolkhozes and sovkhozes and peasant farms, citizens with private plots, lessees and cooperatives in the technical servicing of production and seed growing, in the provision of productive livestock, in the sale of output and in the provision of the services of specialists;

—protects the interests and rights of the members of the Union, gives them organizational, economic and juridical help, guards against unjust interference in their activities and presents well-founded demands to agencies of state authority and economic management on the repeal of illegal actions and decisions that do economic harm to the members of the Union and infringe upon their interests;

—represents the interests of members of the Union in state bodies and economic, public and cooperative organizations and counteracts departmental monopolism;

—develops democratic principles of management and provides for the observance and protection of the economic independence of the members of the Union. It performs its work in close interaction with state agencies and public organizations, other associations and voluntary societies;

—it may establish its own cost-accounting banks, financial and accounting centers and insurance institutions;

—establishes ties in the area of agriculture with the corresponding international and national organizations of foreign countries and helps to develop foreign economic cooperation;

—actively participates in the improvement of the ecological situation and the prevention of environmental pollution.

III. Rights and Obligations of the Members of the Belorussian Union of Agrarian Specialists

5. Membership in the Union may be individual or collective.

Individual members of the Union may be citizens of the Belorussian SSR engaged in peasant or private farming who have reached the age of 16, lessees, the rural intelligentsia and agrarian scientists.

Collective members of the Union may be collectives of kolkhozes, sovkhozes and other agricultural enterprises and organizations serving agriculture and processing its output.

Primary organizations, which are established in labor collectives, and territorial organizations are the organizational basis of the Union.

The primary organizations may unite into rayon, oblast or branch unions on a voluntary basis.

Public organizations that become part of the Union retain their independence and are governed by their own statutes and regulations as well as by the present statute.

6. Members of the Union have the right:

- to participate in the management of the affairs of the Union and in the discussion and making of decisions, to elect and be elected to governing and other bodies of the Union and to present proposals on the improvement of the work of the Union and the elimination of shortcomings in its work;
- to appeal to the bodies of the Union to protect their own legitimate rights and interests;
- to organize collective actions to protect their own interests;
- to make use of the services of the enterprises, organizations and associations within the Union;
- to receive financial support in the Union in exceptional cases and in the established manner;
- to demand the convening of extraordinary meetings, conferences and congresses of the Union in the established manner;
- to leave the Union voluntarily.

7. The members of the Union are obligated:

- to observe the Union Statute;
- to pay membership dues.

In the event that the statute is not observed, public measures may be taken against members of the Union and, as an extreme measure, they may be excluded from membership.

IV. Governing Bodies of the Belorussian Union of Agrarian Specialists

8. The highest body of the Union is the congress, convened once every five years.

An extraordinary congress is held at the request of no fewer than two-thirds of the members of the Union Council or audit commission.

The congress:

- examines the most important long-term and current questions in the social and economic development of the rural areas and in the improvement of the efficiency of production;
- affirms the Union Statute, the position on the audit commission and other enforceable acts and makes amendments and additions to them;

—elects by secret ballot the Union chairman, the Union Council and the audit commission of the Union;

—affirms reports on the work of the council and audit commission;

—makes decisions on the reorganization and termination of the activities of the Union.

9. The Union Council:

—makes proposals to legislative bodies and the government on questions involving the activities of the Union;

—participates in the preparation of legislative acts and presents conclusions for draft decisions by bodies of state authority and administration of the USSR on questions involving price setting and formation, the extension of credit, taxation, the social development of the rural areas and other matters affecting the interests of kolkhozes, sovkhozes, peasant farms and other members of the Union;

—makes proposals on the suspension of actions and on the repeal or changing of decisions by state and other bodies that harm the members of the Union or limit their independence;

—establishes enterprises, associations and organizations to serve members of the Union on a contractual basis;

—involves itself in publishing activity, has its own printing departments and regularly informs its members and the public about the work of the Union;

—approves an annual budget, specific programs and the most important actions of the Union as well as the size of the council staff and expenditures to support it;

—elects deputy chairman of the Union and confirms a responsible secretary and the chief editors of the printed publications;

—establishes sections on different questions in the work of the Union.

The council meets at least twice a year.

10. The presidium of the council:

—provides for the implementation of the decisions and recommendations of the council and for the preparation of questions and materials for its meetings and gives conclusions on draft enforceable acts affecting the interests of the members of the Union;

—organizes the study, correlation and dissemination of the practice of applying the latest achievements of scientific-technical progress and advanced experience at peasant farms, lease collectives, kolkhozes and sovkhozes and other enterprises participating in the Union;

- guides the actions of the working staff of the council and confirms its responsible workers and the editorial boards of printed publications;
- organizes and monitors the activities of enterprises and organizations established under the Union Council;
- disposes of funds in accordance with the approved budget of the Union Council.

The meetings of the presidium of the council are called by the chairman of the Union as necessary but no less frequently than four times a year.

11. The chairman of the Union:

- handles the general leadership of the Union, represents the Union in its relations with government agencies of authority and administration and with public organizations of the country and in international relations, signs documents and carries out other obligations in accordance with the statute.

12. The audit commission of the Union:

- monitors the observance of the Union Statute and decisions of the congress and council plenums;
- checks the correctness of the execution of the budget of the Union Council and the economic and financial activities of the enterprises and associations working under the council.

The audit commission is guided in its work by the present statute and by the position on the audit commission.

V. Property and Finances of the Belorussian Union of Agrarian Specialists

13. The Union has property and the monetary resources, including foreign exchange, that it needs to carry out the objectives and tasks provided for by the statute.

The sources for the formation of the property and finances are the initial and regular membership dues of the members of the Union amounting to three rubles per person annually, most of which remains at the disposition of the local unions, deductions from the profit of enterprises, associations and organizations operating under the Union, income from publishing activities, and other deductions and income that the Union receives in the established manner. It accepts voluntary contributions from citizens, enterprises and organizations to establish funds for charity and other charitable purposes.

Expenditures for the organization and holding of congresses and plenums of the Union and meetings of the council presidium, for the work of sections and upkeep of the working staff as well as those having to do with international cooperation and the implementation of other measures are determined by the Union Council.

The Union is not responsible for the obligations of its members, nor are they responsible for the obligations of the Union.

The Union is a legal person, has an independent balance and bank accounts, seal and stamp with its own name and other essential elements.

MAJOR CROP PROGRESS, WEATHER REPORTS

State Food Commission Official On Harvest, Procurement Problems

904D0163A Moscow PRAVDA in Russian 4 July 90
Second Edition p 6

[Interview with M. Timoshishin, 1st deputy chairman of the State Committee for Food Goods and Procurements of the USSR Council of Ministers by K. Lysenko; date and place not specified: "Sighs Will Not Fill the Granaries"]

[Text] "We must carry out one of the most difficult of harvests," stated M. Timoshishin, 1st deputy chairman of the State Committee for Food Goods and Procurements of the USSR Council of Ministers.

[Lysenko] Mikhail Lukich! Enroute to this meeting, I caught myself thinking: a type of ritual has developed over the years—criticism is being expressed on the pages of newspapers and from high tribunes, the complicated situation existing out on the fields is being discussed and still from year to year we see no change taking place in the situation. Is it not true that words alone, however impassioned or stern in nature, will not solve the economic problems?

[Timoshishin] You are not entirely correct. The situation is different from that experienced in the past. Owing to the weather conditions, the grain harvest work commenced prior to the completion of the feed procurement operations. The grain crops lodged. Several crops ripened simultaneously in the southern regions. All of this had an effect upon the difficult socio-economic working conditions. Throughout the country as a whole, 158,000 combines, or one out of every four machines, and 50,000 motor vehicles could not be moved out onto the fields owing to the unavailability of spare parts. Because of a shortage of completion units, 2,000 Don-1500 combines have still not been prepared for operations. Nor is the situation any better in the case of granaries and dryers. The collectives of many machine building enterprises are under a great obligation to the agricultural workers. There is not enough fuel: 460,000 tons of solyarki, 360,000 tons of gasoline. There is a need for 300,000 tons of oils.

The system of supply is completely disorganized. We are holding discussions on the market economy while the natural economy is flourishing. Metal is being exchanged

for meat and timber for oil. The government is undertaking extreme measures aimed at satisfying the demand for logistical resources.

[Lysenko] Specifically, what do you have in mind?

[Timoshishin] A decree of the USSR Council of Ministers has just been adopted. It calls for the additional allocation of more than one million tons of petroleum products from the reserve of the Council of Ministers. A number of measures have been defined for supplying agriculture with spare parts, bearings, rolled metal and lumber materials. Minavtosekhomash [Ministry of Automotive and Agricultural Machine Building] has been tasked with supplying all of the needed component working organs for the grain harvesting combines.

[Lysenko] And for your part, do you think that the farmers have done everything possible?

[Timoshishin] Their chief task has been that of growing grain. A fine crop is now ripening. Harvest operations are underway in the Crimea, Odessa, Kherson, Moldavia, in the north Caucasus and in southern Kazakhstan. The grain harvest in Central Asia is four quintals per hectare higher than it was last year. In Krasnodar Kray, the average barley yield per hectare is 52 quintals and on some farms—80 to 100 hectares.

Generally speaking, the grain harvest is at hand. The chief concern at the present time is to carry out the harvest work in a fine manner. Usually, according to the most humble estimates, we lose about two quintals of grain per hectare. This amounts to 20 million tons. In order to prevent this from happening, importance is being attached to improving the use of all resources. Indeed, the combines are still not being used in all areas throughout the complete working day, nor motor vehicles—in two shifts. Quite often we encounter trucks from which grain is pouring out of the bodies.

[Lysenko] But all of this happened earlier. What then is the solution?

[Timoshishin] To put it briefly, we must turn our entire economic system towards satisfying the needs of agriculture. Look at what is happening: at the present time, a plant rolls a tractor or combine out to the plant gates and thereafter it no longer has any interest in it. In the West, a producer-firm services the equipment it produces until it is written off. This is profitable for them. We have no such system.

[Lysenko] This year the purchase prices for grain have been raised. Will the situation change?

[Timoshishin] The increase in the purchase prices was a correct, albeit a somewhat belated step. Grain production is becoming a very profitable branch. It is expected that the trend towards a reduction in the sowing areas will be overcome. There is now a special price for high quality grain. How was it earlier: last year we produced 92 million tons of wheat. And we still purchased some.

Why? Because it was still more profitable to feed high quality grain to our livestock. Today it must go to the state.

Generally speaking, this is a basic change in price policy rather than simply an increase in prices. The price for grain will no longer be adjusted to the specifics for a particular region. Hence, the farms themselves will have to decide whether it is profitable for them to produce grain or some other crop. The elements of market relationships are beginning to function.

Certainly, it would be an exaggeration to state that all of the problems have already been solved. It is no secret that many farms lack money. But even after receiving money, they still are unable to purchase everything.

[Lysenko] But it was one year ago that the sovkhozes and kolkhozes were authorized to sell above-plan grain for currency. Is this innovation still proving to be of assistance today?

[Timoshishin] Last year, 386 farms sold above-plan grain for currency. Approximately 300,000 tons were purchased. This amount was small. True, there were enterprising farms which earned from 200,000 to 300,000 rubles.

Unfortunately, the conditions and the system for grain sales for currency are complicated and cumbersome. It is sufficient to state that a trip must be made to Moscow in order to obtain the money. Vneshekonombank [Bank for Foreign Economic Activity] refuses to relinquish its authority to Agroprombank [Agro-Industrial Bank], especially to its branches in the various areas. If this and certain other problems are solved, the farms will experience the taste of real money.

[Lysenko] And how will all of this affect grain purchases for the state resource?

[Timoshishin] In order to ensure a normal supply of grain, flour and groats for the population and also the required amounts of mixed feed for industrial livestock husbandry, the kolkhozes and sovkhozes will have to purchase 85.3 million tons of grain. Only 59 million tons were purchased last year. The state was forced to increase its imports and by a considerable amount. This year the possibility exists of a considerably greater amount of grain being sold. The sovkhozes and kolkhozes are interested in this. However, the local authorities often strive to keep grain at their disposal. Thus, more than two million tons of grain have accumulated on thrashing floors in the southern oblasts of the Ukraine and Kazakhstan, the north Caucasus and Central Asia, with only one twentieth of this amount being sold to the state. Meanwhile, no time can be lost. We must carry out one of the most difficult harvests of recent years.

Everyone, including the grain growers and their partners in the cities, must work instead of complaining about the difficulties. Truly, sighs will not fill the granaries.

MACHINERY, EQUIPMENT

Industrial Conversion Fails to Help Agriculture

Conversion Aggravates Equipment Shortages

904B0277A Moscow SELSKAYA ZHIZN in Russian
25 Jul 90 p 2

[Article by A. Popov: "Not That Priority!"]

[Text] Every year our country buys up to 40 million tons of grain abroad. It is reasonable to ask: Do we have the possibility of raising its gross harvest by this same amount? As practice shows, it is possible to raise the harvest of food grains by improving the standards of farming, applying more intensive technologies and preventing losses. But there are quite a number of reasons restraining the intensification of plant growing. One of them is the lack of the needed equipment. Despite this, the USSR Ministry of Automotive and Agricultural Machine Building is reorganizing a number of its plants that previously specialized in the production of farm machinery for the manufacture of automotive subassemblies and components.

Meanwhile, in terms of the level of technical equipment, our farms are far behind not only the farms of the most developed countries but also most of the CEMA [Council for Mutual Economic Assistance] member countries. In terms of the number of tractors per 1,000 hectares of cultivated land, the USSR is lagging behind the CSFR and GDR by a factor of approximately 2, behind the United States by a factor of 3.6, behind Great Britain by a factor of 5 and behind the FRG by a factor of more than 10! In contrast, one can present the following figures: the power-worker ratio in our country is below that of the United States by a factor of 3.9 and below that of the CEMA countries by a factor of 2.1. Is this really any way to do business?

As a result of such poor technical equipment and imperfection of complex mechanization on our farms, the harvest of grain crops last year took more than 23 days instead of the optimum 10 days. For this reason, farms lost no less than 12 to 14 million tons of grain.

Here it is appropriate to remember still another reserve for filling the granaries—the application of intensive technologies. At Kolkhoz imeni Lenin in Sumy, they obtained 70.5 quintals of winter wheat from each of 600 hectares thanks to these technologies. Last year the machine operators of Zhovten Kolkhoz in Akhtyrskiy Rayon harvested 73.9 quintals of grain per hectare in an area of 212 hectares and 83 farms obtained a harvest of more than 50 quintals of winter wheat!

In 1986, the oblast began to grow food grains under intensive technologies. Their relative share in the total sown area now amounts to about 60 percent. The workers of the Sumy Agricultural Experimental Station and Ukrzempromyekt Institute jointly worked out recommendations for each farm, taking into account the state

of each field. Under production conditions, however, it has become impossible to achieve the desired results in large areas. Thus, of all brands of cultivators intended for the preparation of the soil prior to sowing, only the USMK-5 met the agrotechnical requirements. But there are very few of them and the sowers SZ-3.6 and others do not cover the seeds evenly.

To escape from the existing situation, machine operators began to alter the machines by themselves in their own shops or to appeal to patrons for assistance. For example, the Konotop Mechanical Plant began to manufacture attachments for the covering of seeds at the desired depth and tractor hitches. Rayon repair and service enterprises also did a lot. The machine operators of other oblasts were also forced to take this path. When economists made a calculation, it turned out that such self-help is more expensive for the kolkhozes and sovkhoses than the purchase of machinery coming off the plant conveyor. It is clear that specialized industrial enterprises should be doing this. Why are they not providing the countryside with such needed machinery? After all, we have been talking about this for a long time. Industry was given the task of accelerating the establishment of capacities for the production of farm machinery and of dramatically increasing its manufacture at the enterprises of the former USSR Ministry of Tractor and Agricultural Machine Building.

In the years 1981 through 1987, more than one billion rubles in capital investments were allocated for the construction and reconstruction of the Syzranselmash, Karagandaselmash, Dnydovselmash, Krasnoarmeysk-selmash, Bashselmash, Suzenskiy and other plants. The kolkhozes and sovkhoses began to receive more machines in short supply for the application of fertilizers and lime, the opening up of new lands, the provision of fodder and others. But as strange as it may seem, after the merger of the ministries, the new leadership of USSR Ministry of Automotive and Agricultural Machine Building suddenly began to reorganize a number of plants for the manufacture of automotive subassemblies and components. It explains this through the law on the enterprise and through economic advantage. But this advantage is imaginary and one-sided and does not take into account the interests of agriculture.

"Because of inadequate equipment, many technological operations are performed under obsolete and uneconomical technological systems, with gross violations of the agrotechnical times for the performance of work and with large expenditures of labor and therefore production losses," says P.Ya. Gulyy, in charge of the agrarian section of the Sumy Party Obkom.

And he is right. Here is just one example: only 70 of 111 machines foreseen by the System of Machines for the postharvest processing and storage of food grain and seeds are available. The situation with respect to other machines is analogous.

Yes, the national economic plan does not provide for the priority development of the building of tractors and farm machinery in the 13th Five-Year Plan. A particularly difficult situation is developing in regard to the manufacture of machines for the application of fertilizers and the liming of soils. Their manufacture was already worked out at several enterprises of the former USSR Ministry of Agricultural Machine Building. Krasnoarmeyskelselmash (Saratov Oblast) has now been turned over to the Moskvich Production Association and Karagandaselmash to the ZIL Production Association. Tselinogradselmash, which produced the I RMG-4, is now also providing other output. Davydovselmash left the Selkhozmashtekompleks Association, is curtailing the production of equipment for the application of fertilizers and is preparing to switch to the assembly of busses.

Perhaps there is no longer any need for machines that apply fertilizers and liming materials to the soil? To obtain an answer to this question, I went to the Bashselmash Plant, which produces them.

"The demand for our output is twice the capacity of the enterprise. This is indicated by dozens of telegrams received daily and by messengers from all almost all parts of the country," says A.F. Kunichenko, deputy plant director for the production and sale of output.

The plant produces the MVU-5, which has a broad range for the application of fertilizers, high productivity and dependability in operation. Foreign farmers also took an interest in it. The first lots have been sent to Finland, France and Canada for testing.

The only machine in the USSR that can perform early-spring fertilizing and fully replace agricultural aviation—the highly mobile self-propelled ESBM-7, on which the AMP-5 assembly is mounted—has been put on the conveyor at Bashselmash. This innovation is worthy of much more attention. The universality and interchangeability of working elements were made part of its design.

The application of a self-propelled machine with a range of replaceable assemblies is especially effective in specialized subdivisions of the Soyuzselkhozkhimiya All-Union Production Association. Analogous units in the United States, Canada and Australia are being acquired by agents for the sale of mineral fertilizers and toxic chemicals, who apply them to the soil at the request of farmers. The plant was intended for the production of 25,000 machines of the type RU⁵ and 4,000 self-propelled machines with replaceable assemblies. It has not achieved this capacity. They have already spent 200 million rubles on its construction and approximately another 10 million are needed for its completion. Instead of collecting this sum, USSR Minister of the Automotive and Agricultural Machine Building N.A. Pugin issued an order effective 1 March 1990 to stop construction and to carry out a partial preservation of plant facilities for which there is no financing.

The plant was built recently but it is already necessary to think about tomorrow, about life and work under the conditions of a normal market. But the enterprise has almost no funds of its own for development. The leadership of the firm "AG-KhIM" visited there in 1988 and was prepared to organize cooperation with Bashselkhoz-mash. For the time being, the enterprise does not have foreign exchange of its own. And the Ministry of Automotive and Agricultural Machine Building was also unable to come up with a few thousand dollars for a reciprocal trip of the plant management abroad to exchange experience. Only one person, the director, was able to go abroad in recent years.

Last year, the nearby plant for dump trucks (KamAZ) received a large quantity of imported goods and 10 times as many passenger cars than Bashselmash for its own collective thanks only to an exchange of output in kind. Rural dwellers need machines for the application of fertilizer. But what can they give in exchange?

It appears that for the purpose of the priority development of agricultural machine building it is already time to return to the previous situation and take away from the Ministry of Automotive and Agricultural Machine Building all enterprises for agricultural machine building and establish an independent association on their basis. People will then be happy to go to these enterprises to work. As a result, there will be more equipment and there will also be more produce on the counters.

Products from Defense Plants Expensive

904B0277B Moscow SELSKAYA ZHIZN in Russian
8 Aug 90 p 2

[Commentary by I. Selivanov under "Problems of Technical Progress" rubric: "More Expensive to the Country-side Than the Original: New Equipment Issued by Defense Enterprises Under Foreign Patterns"]

[Text] Leningrad Oblast—The industrial enterprises of Leningrad, primarily defense enterprises, had promised by the spring of this year to manufacture a complex of machines similar to world models that will make it possible to fully mechanize the cultivation of vegetables and potatoes. By the start of the field work, however, such equipment had just begun to reach the farms. And peasants were immediately disturbed by its exorbitant cost—frequently several times higher than the traditional price for farm machines and equipment. What are the reasons for this? This is how they were explained by the managers of manufacturing plants:

G.P. Korsanov, general director of the Uran Scientific Production Association:

Our collective kept its word. We dispatched the first lot of precision drills on time. But naturally they cost three times as much as customary vegetable drills. Of course this is explained primarily by the higher quality. At the same time, it must be frankly acknowledged that our overhead expenditures and outlays for highly qualified

specialists are significantly higher than at ordinary enterprises for agricultural machine building. And the price-setting system is inflexible. The main thing is that the new equipment for vegetable growing has not been put on a unified mechanized flow. It had to be assembled by hand. The rigging is very expensive. There was a continual shortage of completing products.

For the evenness and saturation of production and price for products are closely related concepts. No one wants to work for a loss. And so as not to permit this, today we should already have thought out the question of the series manufacture of those same drills. In principle, we can manufacture not half a hundred of them, as now, but thousands, let us say. But this requires long-term direct ties with plants supplying completing products. It is time for us to include the manufacture of equipment for the countryside in the basic plan, issue a state order for it and allocate funds and means. Only then will it be possible to talk seriously about reducing its cost.

The same thing can be said about other kinds of machines and equipment for the agricultural industry, which we are dealing with in conversion. Take, for example, dough-kneading machines, the pay-back period of which extends to 20 years. We have developed original models of this equipment capable of acting automatically, tested them in a kitchen factory in Vyborgskiy Rayon and are prepared to manufacture them in large batches of up to 600 units a year. Because of the high price, however, they ordered just 15 such machines from us. The result is a vicious circle: customers do not want to make major outlays for experimental models and we cannot go to less expensive series models, because they are not ordering them from us.

We also undertook to manufacture 40 sets of automated equipment as a compact means of growing seedlings in greenhouses. But why not 100 or 200? They tell us that the oblast does not need so many. Well, in that event let them pay more.

Returning to the question of the drills, I can add that we are prepared to sponsor the Kirovograd Plant for Agricultural Machine Building, which has specialized in the production of flow-line equipment. In short, it is necessary to approach the matter nationally on a large scale.

V.A. Koshevarov, director of the Ritm Scientific Production Association, Petrozavod:

We ordered by contract the first lot of haulm shredders for potato growing. But we will hardly be able to manufacture it on time. The fact is that questions involving cooperative deliveries from other enterprises have not been resolved. Last year they manufactured reduction gears for an experimental model for us at the Ravenstvo Association, a number of other parts at the Bolshevik Plant and the machine body at the Sredne-Nevskiy Ship Building Plant. They are now refusing to do this, which threatens to disrupt the entire program.

In addition to everything else, there are no funds for materials and the technical documentation that they are preparing for us at the Central Research Institute of the Ritm Scientific Production Association has not been corrected.

Also unfortunate is the fact that our plant is an experimental plant. We cannot undertake the manufacture of a large lot of machines and hence they become more expensive. By the way, I repeat that we are not refusing the order, for we understand very well how important it is for the countryside. But we need help from our Ministry of Shipbuilding Industry so that we will not have to manufacture several other products.

V.A. Zosimov, head of the central design bureau of the Znamya Oktyabrya Scientific Production Association:

The fact that the price of new equipment is indeed exorbitant is sometimes the fault of the workers of the agricultural industry themselves. Take, for example, the cultivator-ridger KOR-1, which we developed, manufactured and tested in action last year and it demonstrated good results. The only thing left to do was to put it into series production. But suddenly we receive a letter from the Leningrad Oblast Agricultural Production Association, in which they ask us to change the width of the interrow machine from 75 to 70 centimeters. But this means the complete reworking of the design.

By the way, we expressed our doubts to the customer even before then: why set a width of 75 centimeters when the entire domestic technology for the cultivation of potatoes is designed for 70 centimeters? No, they told us, the width of the interrow spacing for the cultivator-ridger must correspond to the technological task and analogous foreign model.

The agreement is practically broken already, because three times the agricultural industry demanded a reduction of the price for the cultivator—from 9,000 to 3,000 rubles. But we ourselves had to pay 21,000 rubles to the Burevestnik Plant in Gatchina just for two reduction gears for experimental models.

The fact is that we also have to order completing parts at enterprises of the defense industry, in particular at aircraft plants, where their cost is a magnitude greater than in other branches of machine building.

Commentary of the Correspondent

In the Leningrad Oblast Agro-Industrial Association, as a momento, they gave me a sheet of paper with the plan-order to industrial enterprises for the manufacture of new equipment for the cultivation of potatoes and vegetables under intensive technologies. It included a little more than 360 different machines and sets of equipment of nine product descriptions. Their total cost is more than five million rubles. It could have been more if the customers had agreed to pay the cost of the new potato-planting machine, the manufacture of which at

the Bolshevik Plant cost 130,000 rubles—200 times more than an ordinary potato planter.

Not wanting to bear such exorbitant expenditures, the potato growers rejected a foreign copy of a transplanting machine, which in turn led to a return to the traditional interrow spacing of potatoes and therefore to a reworking of other machines in technology.

In short, it is difficult to explain what happened other than through a serious engineering and technological miscalculation. One recalls with what delight the participants in an All-Union seminar had observed the work of machines acquired in Western Europe with foreign exchange for more than a year and half in vegetable and potato fields of the Tosnenskiy Agro-Industrial Combine. Even then, however, doubts were expressed about the necessity of copying each of them blindly. And no one anticipated that our domestic copies would cost more than the imported originals. As deplorable as it might be, however, that is exactly what happened—with the exception, perhaps, of the precision drill and transplanting machine.

And, of course, my interlocutors are right: it is time to put the matter on a long-term national basis and not limit ourselves to one-time orders for individual oblasts. As reported in USSR Gosplan, with requests from the agricultural industry amounting to 3.1 billion rubles, the enterprises of the defense industry have agreed to manufacture only 2.65 billion rubles in machines and equipment in 1991. But this is in terms of the total value. As for the products list, here the situation is even more depressing. One gets the impression that, in raising prices, machine builders are striving to force the enterprises of the agricultural industry to cut back on their orders.

The matter will proceed more certainly and the countryside will receive new equipment only under the condition that its interests actually become a priority. It is necessary, finally, to turn over some of the ship steel and other high-quality materials to agricultural machine building and to have its enterprises in contact with conversion specialize in the mass production of completing parts for new equipment. Only then will its assembly proceed more rapidly, will quality not suffer and will the price be acceptable for the buyer.

POLICY, ORGANIZATION

Decree on Domestic Hard-Currency Trade Published

904D0209A Moscow *EKONOMIKA I ZHIZN*
in Russian No 33, Aug 90 Supplement p 5

[Decree No 712 of the USSR Council of Ministers, adopted 20 July 1990: "On Improvement of Retail Trade and the Rendering of Services for Foreign Currency on the Territory of the USSR"]

[Text] The USSR Council of Ministers notes that as a result of the invigoration of foreign economic activity of state, cooperative, and other socialized enterprises, associations, and organizations and the increase in the number of trips of Soviet citizens abroad and of business people and tourists from foreign countries in the USSR there has been a substantial growth in the amount of convertible foreign exchange, including cash, which could be committed to paying for goods and services within the USSR.

At the same time, the state of trade in everyday services to work collectives of enterprises, associations, and organizations and Soviet and foreign citizens who have foreign exchange does not correspond to their requirements nor to the interests of the state. The sphere of trade and the rendering of services for foreign currency does not have the necessary material and technical base, commodity resources, nor personnel, and in a number of union republics and other regions it does not for all practical purposes exist. All of this substantially restricts the opportunities of collectives of enterprises, associations, and organizations and of Soviet and foreign citizens to acquire goods and obtain services for foreign currency, it is conducive to the development of speculation, to a "black market" in goods and foreign currencies, and other evils.

On behalf of achieving order and broad development of trade and the rendering of services for convertible and equivalent foreign exchange and an increase in the inflow of foreign exchange to meet the needs of the country, the USSR Council of Ministers decrees:

1. The need is recognized to create in the country a unified system of specialized trade and paid services for foreign currency on the principles of cost accounting, foreign exchange cost recovery, and self-financing, including the following:

- the all-union foreign economic association "Torgovyy Dom" on the basis of the subdivisions of the foreign economic association "Vneshposyltorg" of the USSR Ministry of Foreign Economic Relations;
- the All-Union Foreign Economic Consumer Cooperative Association;
- trade centers in the union and autonomous republics and regions;
- a network of specialized enterprises and manufacturers' outlets.

The all-union foreign economic association "Torgovyy Dom," the All-Union Consumer Cooperative Association, and the republic (regional) trade centers are juridical persons and are created in the form of associations (assotsiatsii) on the basis of voluntary membership, the members retaining full independence of Soviet enterprises, associations, and organizations (regardless of the forms of ownership) and also of joint enterprises in which foreign juridical persons and individuals participate.

2. As of 1 August 1990:

- Soviet enterprises, associations, and organizations (regardless of the form of ownership), joint enterprises in which foreign juridical persons and individuals participate, and also republic (regional) trade centers may carry on specialized trade and the rendering of services on the territory of the USSR for convertible and equivalent currency with permission of the councils of ministers of union and autonomous republics (with their authorization—the permission of republic bodies for state administration);
- USSR ministries and departments, organizations of union-level importance, and Tsentrsoyuz issue permits for creation of manufacturers' enterprises and stores to carry on specialized trade and render services for foreign currency in the respective branches of the economy.

The all-union foreign economic association "Torgovyy Dom" and the All-Union Foreign Economic Consumer Cooperative Association acquire the right to carry on specialized trade and render services upon approval of their bylaws and after they register.

Joint enterprises in which foreign juridical persons and individuals participate and enterprises based on the ownership of Soviet citizens and collective ownership carry on specialized trade (rendering of services) only involving products (services) which they produce or render themselves.

3. The sale of goods and the rendering of services on the territory of the USSR for convertible and equivalent foreign currency are classified as export operations performed on the territory of the USSR, and appropriate measures for state regulation of foreign economic activity apply to them, including regulation of trade centers, specialized enterprises, and manufacturers' outlets with the USSR Ministry of Foreign Economic Relations, and other measures envisaged by current legislation.

Trade centers, specialized enterprises, and manufacturers' outlets are registered by the USSR Ministry of Foreign Economic Relations in agreement with USSR Vneshekonombank [Bank for Foreign Economic Activity].

Payments may be received in freely convertible cash and equivalent foreign exchange in the conduct of specialized trade only if records on sales of goods and services are

kept separately and the cash-handling of these operations is made separate according to the procedure established by USSR Vneshekonombank and other banks authorized to conduct operations with foreign exchange.

Specialized enterprises operating at the present time and conducting trade and rendering services for convertible and equivalent currencies are also subject to registration with the USSR Ministry of Foreign Economic Relations (consent of USSR Vneshekonombank is not required).

The USSR Ministry of Finance, USSR Vneshekonombank, and the respective USSR ministries and departments are to furnish methodological assistance in the conduct of bookkeeping and accounting operations related to the conduct of trade and rendering of services for convertible and equivalent currency in trade centers, specialized enterprises, and manufacturers' outlets.

4. The principal functions of trade centers are as follows:

a) the all-union foreign economic association "Torgovy Dom":

- help in creating republic and regional trade centers, specialized enterprises, and manufacturers' outlets, the rendering of assistance to them in conducting commercial operations and market research, in establishing trade relations and organizing various services and the training of personnel;
- coordination of the activity of republic and regional trade centers and assistance in drafting programs for their development;
- supplying informative materials and catalogues;
- the rendering of services to foreign and Soviet citizens and Soviet enterprises through the specialized enterprises that belong to the association, including services in the areas of everyday needs, rest and recreation, health care and communications, construction of housing and other facilities for social, cultural, and everyday services, the sale of tourist vouchers and vouchers to rest homes of the USSR;
- the rendering of assistance in setting up enterprises (including joint enterprises in which foreign juridical persons and individuals participate) for the production of consumer goods, including the use of imported components, subsequent sale of the finished products for convertible and equivalent currency, and the technical servicing and repair of such products;
- the purchasing of products with its own foreign exchange and also on the basis of a commission (consignment), the organization of the sale of imported and Soviet goods through auctions, on commission, and by mail order, the sale of goods through catalogues and other modern forms of trade.

The All-Union Foreign Economic Consumer Cooperative Association performs similar functions with due respect for the particular features of the consumer cooperative system;

b) republic (regional) trade centers:

- organization of a network of specialized enterprises and manufacturers' outlets for retail trade in imported and domestic goods for convertible and equivalent currency;
- the rendering of various services on the territory of the republic (region) to Soviet and foreign citizens, and to the work collectives of enterprises, associations, and organizations, including the spheres of everyday services, the food service industry, rest and recreation, health care and communications;
- the development of new types of services (intellectual, recreational, the training of personnel, and others) supplied to foreign citizens residing temporarily in the USSR, including joint forms of enterprise with foreign juridical persons and individuals;
- creation of enterprises (including joint enterprises in which foreign juridical persons and individuals participate) for the production of consumer goods, including goods using imported components, subsequent sale of the end products for convertible and equivalent currency, and the technical servicing and repair of such products;
- the purchasing of goods with their own foreign exchange and also on the basis of commission (consignment), the organization of the sale of imported and Soviet goods by auction, on commission, and through mail order, and the sale of goods from catalogues and other modern forms of trade;
- performance of brokering functions in selling the goods of state and other enterprises, associations, and organizations on the territory of the republic (region) on a commission basis, and also the acquisition of foodstuffs and industrially produced consumer goods with the resources in their foreign exchange funds;
- construction of housing and other facilities for social, cultural, and everyday services;
- performance of other jobs and services related to their principal activity.

5. Goods may be sold and services rendered on the territory of the USSR for convertible and equivalent currency to the following:

- Soviet and foreign citizens and stateless persons—in the form of cash and noncash settlement, including the transfer of foreign exchange from current accounts in banking institutions and the use of checks made out to a particular person, credit vouchers and other means of payment denominated in the currency indicated;
- juridical persons—in the form of noncash settlement, including the transfer of own foreign exchange from accounts in banking institutions using credit vouchers and other means of payment denominated in the currency indicated.

6. Soviet and foreign citizens and also stateless persons may open in USSR Vneshekonombank and, subject to established procedure, in other banking institutions of the USSR, current accounts denominated in foreign currency by depositing foreign exchange in cash and other forms of payment in foreign exchange or by

transfer from abroad without restriction and without submitting documents on the sources of the funds.

The USSR Ministry of Finance and USSR Vneshekonombank are to establish the procedure for the handling of those accounts, the use of funds from those accounts, and the rates and conditions for the payment of interest on them.

7. Retail prices in convertible and equivalent currency are set for state specialized enterprises and manufacturers' outlets by the councils of ministers of union republics, by USSR ministries and departments and organizations at the union level, by the all-union foreign economic association "Torgovyy Dom," and by the All-Union Foreign Economic Consumer Cooperative Association.

Retail prices are set in foreign currency so as to take into account the level of prices in effect of the analogous goods and services of foreign firms in the retail network abroad, the level of customs duties and levies paid in convertible and equivalent currency when goods are imported into the USSR, the quality of the goods and services, and also conditions on the domestic market.

8. Soviet enterprises, associations, and organizations acquire goods and obtain services in trade centers, specialized enterprises, and manufacturers' outlets with resources from their foreign exchange funds under the conditions established by Point 29 of Decree No 231 of the CPSU Central Committee and USSR Council of Ministers dated 15 March 1989 and entitled "On Measures for Financial Recovery of the Economy and To Strengthen the Circulation of Money in the Country in 1989 and 1990 and During the 13th FYP" (SP SSSR, No 22, 1989, Item 69).

9. In 1990, trade centers, specialized enterprises, and manufacturers' outlets transferred to the state 50 percent of the amount by which actual foreign exchange proceeds exceed payments and 65 percent of foreign exchange proceeds in sales for convertible and equivalent currency of goods and services acquired for Soviet rubles. At the same time, 42 and 35 percent of these foreign exchange deductions, respectively, are put at the disposition of the councils of ministers of union and autonomous republics and ispolkoms of local soviets of people's deputies.

The foreign exchange deductions paid into the foreign exchange funds of councils of ministers of union and autonomous republics and ispolkoms of local soviets of people's deputies are credited to republic (krai, oblast, and city) special funds and are spent to meet the needs of social development of the respective regions, and regular information must be made public on this aspect of foreign exchange trade in the mass media.

The foreign exchange of trade centers, specialized enterprises, and manufacturers' outlets are used to develop their material and technical base, for their retooling, to purchase goods to organize foreign exchange trade and

the rendering of paid services, the leasing of commercial, office, and auxiliary space, and for other purposes envisaged by current legislation.

The rates of foreign exchange deductions established for enterprises, associations, and organizations when they export goods abroad shall extend to operations in which they deliver goods in accordance with this decree.

Proceeds in convertible currency received from trade centers, specialized enterprises, and manufacturers' outlets by suppliers of products and those who do jobs and render services are credited to fulfillment of the foreign exchange plans of USSR ministries and departments, councils of ministers of union republics and union-level organizations, and appropriate deductions are then made from those proceeds and credited to central foreign exchange funds at the established rates.

Goods purchased abroad with funds allocated centrally for sale to the public in the retail trade network may not be sold through trade centers, specialized enterprises, and manufacturers' outlets.

In 1990, trade centers, specialized enterprises, and manufacturers' outlets are subject to payments into the budget of 60 percent of balance-sheet profit, as envisaged by current legislation.

10. The USSR Ministry of Finance, the USSR Ministry of Trade, USSR Gosbank, and USSR Vneshekonombank are to examine the interrelated set of issues pertaining to the sale of goods and rendering of services for foreign exchange (other than convertible and equivalent currency) and submit proposals within a period of 2 months to the USSR Council of Ministers.

11. The USSR State Committee for Labor and Social Problems is to work out a uniform system of remuneration of personnel of trade centers, state specialized enterprises, and manufacturers' outlets conducting trade for foreign currency, including measures to stimulate their motivation to increase the sale of goods and the rendering of services.

12. The USSR State Committee for Statistics is to set up a system of reporting on operations conducted pursuant to this decree.

13. The USSR Ministry of Justice, jointly with the USSR Ministry of Finance, USSR Vneshekonombank, and the USSR Ministry of Foreign Economic Relations are to prepare proposals on making amendments to current legislation arising out of this decree and submit them to the USSR Council of Ministers within 2 months.

Goskomtsen Official Criticizes May Economic Program

904D0145A Moscow SOVETSKAYA TORGOVLYA
in Russian No 10, 1-15 Jun 90 Special Issue p 2

[Interview with David Fedorovich Shavishvili, Doctor of Economic Sciences and head of the Department of

Consumer Goods and Services of the Scientific-Research Institute for Price Formation of USSR Goskomtsen, by Marina Ryabochenko: "The Path To the Market Is Long and Complicated"]

[Text] The problems associated with converting over to a market economy, problems highlighted in a program proposed by the government, are discussed with our correspondent by Doctor of Economic Sciences and head of the Department of Consumer Goods and Services of the Scientific-Research Institute for Price Formation of USSR Goskomtsen [State Committee on Prices] David Fedorovich Shavishvili.

[Ryabochenko] David Fedorovich, the governmental report on economic reform brought forth an unexpected reaction—panic among the population, an unusual demand literally for all types of food products.

[Shavishvili] I believe that this is explained both by a lack of preparedness of the people for the new economic life and by faults in the concept proposed. In particular, it is my opinion that a maximum expense level was proposed and perhaps it is not quite justified. But different groups of the population respond in different ways to an increase in prices. I was recently on a temporary duty assignment and held a discussion on the impending increase in prices. And whereas city-dwellers accepted the information in a hostile manner, rural residents appeared to approve of it because they themselves know the value of their labor. The purchase prices for agricultural products are so low at the present time that not only do they preclude the possibility of paying in a normal manner for the work performed by people, but in addition they fail to stimulate agriculture.

[Ryabochenko] But if it is possible to agree with an increase in the prices for food products, then how does one explain increases in the costs for consumer goods? Indeed, the prices for such goods have recently increased catastrophically and not as a result of improvements in the quality of the products, but rather owing to the at times unjustified assignment of various indicators to the products. Moreover, it is known that the production of these goods causes high taxes to be imposed by the budget.

[Shavishvili] Everything is interrelated. Sixty percent of the raw materials for light industry products is of agricultural origin. Naturally, growth in the prices for flax, cotton and leather produces growth in the prices for the products made from them. I am disturbed more by an increase in the prices for cultural and welfare goods. I consider this to be a contribution of the conversion. We attract the defense industry to their production where, as a rule, there are raised expenditures, manpower is expensive, the achievements of scientific-technical progress are introduced into operations on an extensive scale and still it costs us dearly. In this manner we obtain our tape recorders and television sets for gold coins. And indeed in a normal economy these goods should be cheap.

[Ryabochenko] What is a normal economy?

[Shavishvili] A market economy.

[Ryabochenko] From this standpoint, how do you evaluate the program proposed by the government?

[Shavishvili] Rather than a conversion over to the market, it represents an improvement in command-administrative economics.

[Ryabochenko] Which will take place by means of consumers?

[Shavishvili] One cannot say this. It is simply a freezing of the standard of living. According to statistics, wages increased and per capita consumption grew over the past 20 years, but the standard of living was actually frozen. And at the present time there is a proposal to carry out a reform without changing the standard of living.

[Ryabochenko] These lines are set forth clearly in the report—an improvement in the well-being of workers is not expected until 1993.

[Shavishvili] I do not believe in these figures. The report does not even contain an explanation as to just what a market is. It is stated that we lower prices for the market. In order for the prices to be lowered, there must be a mechanism which will allow these prices to work. The market must begin with trade. The state sector provides 95 percent of our trade at the present time. I include consumer cooperation in this percentage because it is no different than state trade. Thus we attempted to convert our trade over to the first cost accounting model and to the second—it was all nonsense; it still is in no way related to the market-monetary relationships or the market, since it is covered by planning norms from bottom to top. If there is to be a market, 80 percent of the trade must be carried out under commercial accounting conditions. A store director must not be a state employee. He must have fixed capital on a cooperative or private basis, open credit in a state or private bank and he must measure expenditures against the results, that is, wages for example must be paid out depending upon the operational effectiveness. This is the first condition. And the second. In order to convert over to the market, the light and food industry must be converted over to another basis in an urgent manner—cooperative or lease ownership. These then are the principal problems in my opinion and if we solve them the market will happen of and by itself and nobody will be held responsible.

[Ryabochenko] Judging by the above, you favor urgent measures. But, as stated in the report, shock therapy can lead to negative consequences—a sharp reduction in the standard of living, mainly in the poorer layers of the population.

[Shavishvili] Yes, the report contains much information on social protection—indicators, mark-ups. Social protection is a good thing. It is unfortunate that once again they wish to include the rules of the administrative-command system under the market conditions. But let us

see just why a market is needed generally. In my opinion, it is the central problem and one which nobody is discussing.

The market is generally a self-supporting economy and it represents a dividing up of the population into a minimum of five groups. That is, production is oriented towards certain income for the population. Let us take America and Canada. Here we find so-called poor people, low, middle and high classes and also rich people. And the economy operates in a manner such that each group has its own goods. Certainly, the consumer basket for the rich and poor differs in terms of quality, but nevertheless all goods are available to both groups.

We state that we are converting over to the market and we relax the prices. But we say nothing about re-evaluating live labor. As the saying goes, our manpower is presently being evaluated according to the quantity and quality of the labor invested and the state is providing this evaluation. But indeed there is still another evaluation—a market evaluation—based upon the cost for reproducing manpower. And the difference in these labor evaluations amounts to a factor of eight. Compared to a metallurgist who receives 10-20 rubles daily, in cooperation, which operates under market conditions, labor is evaluated on the order of 50, 60 rubles. It is our opinion that the cooperative movement has highlighted for us still another central problem—what is the worth of an individual? And if we have market price formation, then manpower must be evaluated according to the laws of the market. Because man is the basis for the effectiveness of any production. And if we retain the old system for evaluating labor, then regardless of the compensation we give to a worker—he will not work either today or tomorrow. If this problem is not solved, we will be unable to solve our future problems.

[Ryabochenko] However, our wages are still increasing...

[Shavishvili] There are two concepts—nominal and real wages. Thus, our nominal wage is truly increasing, but indeed the prices are also increasing and at an incomparably faster rate than wages.

[Ryabochenko] The concept of converting over to a market economy is presently being discussed on an extensive scale. And considerably more complaints than praise are being heaped upon the developers.

[Shavishvili] It is my opinion that the developers of this plan lack the chief factor—knowledge. In his speech, N.I. Ryzhkov stated that they consulted with economists, financiers and scientists. All of this is quite true. Specialists from our institute were also attracted to this work. But all of our plans and proposals were ignored.

I do not believe that it makes any sense to criticize the program. Here the chief concern is to be aware of that which it lacks and to do what is necessary. And still one more consideration. Regardless of the route we choose to reach the market—the process will be long and complicated. In America, the formation of the market took

place in six stages and in West European countries it has been underway for decades. Our complications may be the most unforeseen and thus we must prepare first of all for the difficulties.

FOOD PROCESSING, DISTRIBUTION

Quantities, Prices of Meat Imports Detailed

904D0213A Moscow ARGUMENTY I FAKTY
in Russian No 34, 25-31 Aug 90 p 4

[Interview with A. Krivenko, "Prodintorg" chairman, by Yu. Sigov: "The Price of Overseas Meat"]

[Text] A. Krivenko, chairman of the "Prodintorg" foreign trade association, talked to ARGUMENTY I FAKTY correspondent Yu. Sigov about supplying imported meat to the USSR.

[Krivenko] The USSR has traditionally been buying meat abroad even though it produces considerable quantities of it at home. Last year, the Soviet Union produced 19.4 million tons of meat, while meat imports through "Prodintorg" totaled 597,300 tons.

[Question] Which countries are main exporters of meat and meat products to the USSR and how much do they supply?

[Krivenko] In 1989, major suppliers of meat to the USSR were China (36,000 tons of beef and 32,600 tons of pork), the FRG (20,900 tons of beef and 5,200 tons of pork), France (71,000 tons of beef and 15,300 tons of poultry) and Hungary (19,500 tons of beef, 44,100 tons of pork and 76,300 tons of poultry). We also buy meat and meat products from the GDR, Holland, New Zealand, the U.S. and Brazil.

[Question] How much does "Prodintorg" pay for meat and what does it get at the domestic market?

[Krivenko] In general, world prices for all types of meat were rising in the last two years. During that time "Prodintorg" was buying beef from Common Market countries with an EEC Commission discount of up to 20 percent. Using our knowledge of the market, good timing and a number of other factors, we were able to bring the prices "Prodintorg" paid for imported meat to approximately 30 percent below world levels.

In 1988-90, we bought beef at R927 per ton, mutton at R860, pork at R898 and poultry at R810. Currently we buy all these meat products at even lower prices. At the domestic market, imported meat products fetch the following prices: a quarter carcass of beef R1.90 per kilo, pork R1.60 per kilo and mutton (without legs) R1.80 per kilo. Prices of imported poultry are somewhat higher. Chickens imported to the USSR from France, the FRG and Bulgaria cost R3.40 per kilo, and turkeys purchased from Canada R3.20 per kilo, but these products are not sold by "Prodintorg" but by the USSR Ministry of Trade.

[Question] For many years, we have been buying meat not only from our neighbors but also from far away countries such as Australia, New Zealand and Uruguay. Who needs all those transportation costs, which make these products literally golden for our state?

[Krivenko] We buy meat from such countries as Uruguay and Argentina only occasionally, at very special prices. This year, for instance, we bought 8,000 tons of beef from Uruguay for commercial processing. In Australia and New Zealand we buy mainly mutton, to supply residents of the Far East and Siberian regions.

[Question] What types of meat products, in addition to the ones you have mentioned, are being imported by the Soviet Union?

[Krivenko] Mainly sausage products, which amounted to 21,500 tons in 1990, and canned meat, which totaled 116,100 tons. Smoked and boiled sausage is imported by us mainly from Hungary (for noncash rubles) and Finland (for hard currency). Last year, for instance, "Prod-intorg" bought 5,000 tons of salami, "favorit" and "peshti" sausage from Hungary and 2,500 tons of bologna from Finland. This year, on orders from enterprises, we bought a small quantity of sausage from France, Denmark and Holland.

Using the "Skotoimprot" trade association, the Soviet Union also imports livestock, mainly from Mongolia and Hungary. This year alone, we bought 46,600 head of cattle and 140,000 head of swine.

[Question] While buying meat abroad, the Soviet Union simultaneously exports some quantities of meat, too. How do you explain the fact that while buying canned meat in China, we ship cans of Soviet-made meat stew to Cuba?

[Krivenko] Based on the inter-government agreement, which is due to expire this year, we sell some quantities of canned meat to Cuba every year. At the same time, based on similar agreements, the PRC exports 35-to-40 tons of meat stew to the USSR. Sales of canned meat to Cuba (in 1990, they amounted to 22,000 tons at R1,322 per ton) are political in nature, and also pay for the raw sugar we get from Cuba.

In addition to this, in 1990 we supplied 240,000 tons of meat stew to Nicaragua, paid for by state credits or in the form of unilateral aid. Starting this year, Soviet meat stew and other canned meat will no longer be sold to Vietnam.

[Question] According to what you have said, thousands of tons of meat and meat products arrive in the Soviet Union every year. Where does it all go, if even by-products are no longer found on store shelves, not to mention salami or bologna?

[Krivenko] Imported meat products are distributed according to USSR Ministry of Trade standards, except when we buy meat using funds owned by individual

enterprises or regions. Usually, 25 percent of such products are earmarked for Moscow and 5-to-6 percent for Leningrad residents. The rest of the imported meat is sent to regions of the country with insufficient meat resources of their own, such as Trans-Caucasus, Central Asia, the Urals and Siberia.

[Question] Some specialists believe that in a market economy it would make more sense for us to import grain, not meat. Maybe in this case we should stop importing meat altogether?

[Krivenko] Let us take an actual example. To produce one ton of pork in the USSR we need five tons of animal feed (corn or wheat). Based on actual world prices, five tons of feed will cost us \$660, plus \$140 for transportation. The world price of pork is currently \$1,500 a ton. So, importing corn is, financially speaking, more economical than importing meat. Nevertheless, we must make every effort to reduce the importation of both grain and meat by increasing production in this country.

New Leningrad Mayor Views Food, Liquor Problems

90UN2754A Moscow MOSCOW NEWS in English
No 29, 29 Jul-5 Aug 90 p 11

[Interview with Aleksander Shchelkanov, chairman of the Leningrad City Soviet, by Andrey Chernov: "A Loader Turned Mayor"; date and place of interview not given]

[Text]

Alexander Shchelkanov is the newly elected chairman of the executive committee of the Leningrad City Soviet.

"I was a loader for three months a year ago," explains Shchelkanov. "I quit the Navy in December 1988 after a heart attack and couldn't find a job in Leningrad. That was the time of structural changes and retrenchments in research institutes. I did some loading after school and, having consulted my doctors, took a loading job. Many people said this was degrading for a former Naval captain."

[Chernov] Forty candidates ran for mayor. You got 80 percent of the vote. What kind of welcome were you given by members of the Executive Committee formed before perestroika?

[Shchelkanov] There was no sharp opposition, or open displeasure. Most likely few dared stage a mutiny against the new captain.

[Chernov] Are you a member of the party?

[Shchelkanov] I resigned from it in December 1988.

[Chernov] "Sabotage" is a word we've heard increasingly. Leningrad TV broadcast several reports about sausage dumped in the forest and loads of perished meat.

[Shchelkanov] If I had proof, I would be able to say it was sabotage. The above reports were presented by TV sleuth Alexander Nevzorov in an impossibly rightist, if not extremist manner. Watching them one felt mad and like destroying something rather than trying to put things right. What actually happened is that the sausage was found unsafe by sanitary inspectors and thrown out.

[Chernov] The City Soviet in Leningrad has introduced alcohol rationing. What do you think will be the impact?

[Shchelkanov] The decision has been taken and my task is to carry it out. The city has a stock of alcohol but has no bottles to put it into. Following the rash anti-alcohol campaign resolution, bottles were destroyed by industrial means. Now people would rather keep the empties at home than return them. The Baltics have raised the prices of hard liquor, and profiteers are shipping Leningrad vodka there. This is why the city voted for rationing.

[Chernov] Today ration cards are the reality and Leningrad as a free economic zone is a dream.

[Shchelkanov] Yes, we've just started working on the concept, and at this point I'm unable to say if Leningrad is going to be a free city or if it will have a special economic status.

[Chernov] Have you got your own team?

[Shchelkanov] I wanted to have tough and knowledgeable deputies. The former deputies aren't bad per se but they stick to old practices. One of the stronger contenders for my economic reform aides is the well-known economist Anatoly Chubais. He would surely bring in some of his people. My objective today is to get inside information about the city. We've set up a commission to try and find out what our city and its managerial services are really like. Everybody can see that Leningrad is poorly supplied with food. Things are even worse as regards its manufacturing industries, food refrigeration facilities and public transit. The city is sick. But it can be cured. Today, not tomorrow, before it's too late.

[Chernov] My last question. Supposing the military coup of which neo-Bolsheviks dream becomes a reality. What'll you do?

[Shchelkanov] The news would reach me outside my office, on a train bound East. What would I do? The same thing, perhaps... Generate contacts between people and try to persuade them that a new move is necessary.

Goskomstat Releases Baby Food Production Data
904D0214A Moscow SOVETSKAYA TORGOVLYA
in Russian No 15, 16-31 Aug 90 p 3

[Article by Leyla Mamedova, based on RSFSR Goskomstat and RSFSR State Trade Inspection data: "In the Mirror of Statistics: For Kids, Only the Best?"]

[Text] According to the report of the RSFSR State Committee for Statistics, baby food production in the Russian Federation is on the rise, even though such products are still extremely hard to find.

In 1989, the production of all important baby food categories declined from 1988. As a result, trade organizations got 53 tons (27 percent) less of "Malyutka" baby formula than called for by the plan, 202 tons (1.3 percent) less of kefir, 1.9 million can equivalent (30 percent) less of sterilized vegetable juices, 4.3 million can equivalent (39 percent) less of canned vegetables and 10.5 million (7 percent) can equivalent less of canned fruit.

The situation with milk products for babies under one year of age remains unchanged in autonomous republics, krais and oblasts. Output volumes for milk products are clearly insufficient. For instance, in Volgograd, Rostov, Moscow, Tver and Perm oblasts and in the Buryat ASSR, liquid milk and milk paste products are made at a rate of only 27-to-48 grams per child.

Canned vegetables for babies are also produced in insufficient quantities. Only six cans are produced daily per 100 children aged to three years. Main production capacities are at enterprises in the North Caucasus region, which account for over 75 percent of production in the RSFSR. Moreover, some 60 percent of canned vegetable-based baby food is produced in Krasnodar Kray and Rostov Oblast, regions where enterprises have drastically reduced the output of canned vegetable- and fruit-based baby food. Compared to 1988, the drop amounted to 4.3 million can equivalent, or 29 percent, and 9.7 million can equivalent, or 11 percent, respectively.

In the second quarter of 1990, the RSFSR State Trade Inspection reviewed food supply conditions at children's homes, orphanages and state boarding schools in the Russian Federation. Practically nowhere in the republics are consumption requirements for particular food groups fulfilled. These include vegetables, fruit, fish, cheese, cottage cheese and various juices—in short, products which the USSR Council of Ministers resolution No.872 dated 30 July, 1987, recommended for broad use to supply children's allowances for vitamins and minerals.

This year, children's facilities of the Udmurt ASSR received 2,123 tons of fresh fruit, 425 tons of dried fruit, 6,080 tons of potatoes and 6,109 tons of vegetables less than needed. State boarding schools for visually impaired children in the town of Petrovsk-Zabaykalskiy, Chita Oblast, fell short by 900 kilos of vegetables, 147.5 kilos of fish, 139.6 kilos of milk and 101 kilos of cottage cheese in April 1990.

The shortage of vitamin-rich food for children is being compensated by dishes made from cereals, beans and noodles. Unfortunately, children, especially small ones, get quickly bored with hot cereals and noodles, despite their high caloric value.

Managers of children's facilities are forced to find solutions to this complex problem on their own. The boarding school in the village of Laryak, Nizhnevartovskiy Rayon, Tyumen Oblast, buys food at contract prices. It buys cranberries at R4.40 per kilo and fresh water fish as follows: pike at R1.50 and ide at 2.40 per kilo. (Incidentally, the fish are caught in that same rayon.) Contract prices for potatoes also exceed retail prices 2-to-3 times.

Store No. 20 of the state fruit and vegetable trade association issued the following products to the orphanage in the city of Vladivostok: in January, 40 kilos of fresh apples out of the 29.4 tons it received, and in March 58.5 kilos out of the 31.8 tons. The orphanage got no fruit juices. In February and April the orphanage had to use the Vladivostok state cooperative trade association warehouse to acquire 136 kilos of fresh apples at a contract price of R3.30 per kilo and 129.3 kilos of dried fruit at R4.60 per kilo.

But it turned out that buying food at contract prices was not affordable for everybody. Inspected cooking facilities in the city of Maykop and nearby rayons have not been getting fruit since January 1990, when the Maykop state fruit and vegetable trade association shifted to selling goods at contract prices; orphanages can no longer afford to buy them.

"State boarding schools Nos. 2, 13 and 15 of the city of Izhevsk which we inspected," states the Udmurt republic trade administration, "failed to meet consumption requirements for vegetables, fruit and juices due to their shortage at small wholesale facilities, while due to higher prices and lack of permission to purchase them at contract prices, the situation with vegetables, fruit and juices can get even worse."

Sad though it may sound, this prediction may well come true.

GOODS PRODUCTION, DISTRIBUTION

Electronics Industry Minister on Production Prospects

904D0117A Moscow ARGUMENTY I FAKTY
in Russian No 18, 5-11 May 90 p 6

[Interview with V. Kolesnikov, USSR minister of electronics industry, with I. Morzharetto: "We Are Still Far Behind Japan, Yet...; Consumer Electronics Production Will Rise 4-5 Times by 1995"]

[Text] Some 100 years ago a country's development and wealth levels were judged by the quantity of corn it grew and 50 years ago by the quantity of pig iron it produced. Today, however, Japan and other countries have achieved a leading position by applying science to production. We, unfortunately, have no great achievements to show in this area, even though we have done much interesting, pioneering work. Our correspondent, I. Morzharetto, talked

with V. Kolesnikov, USSR minister of the electronics industry, about the situation in the industry.

[Question] Vladislav Grigoryevich, only two or three years ago it seemed that our store shelves were heaped high with consumer electronics. Then, all of a sudden, tape recorders, record players, microwave ovens and television sets disappeared from the market. Several explanations for this are usually given: enormous growth of wages, slower growth of production than of demand and fear of the impending price reform. Do you see practical ways to eliminate shortages of such goods?

[Kolesnikov] In our ministry, for instance, the volume of consumer goods production will rise this year by almost 40 percent compared to 1989: the output of video recorders will go from 125,000 to 450,000, of microwave ovens from 35,000 to 70,000, of electronic games from 2.4 million to 3.8 million and of personal computers from 34,000 to 68,000. By 1995, we expect to increase the production of the above-mentioned goods 4-5 times. But this, in my opinion, will not completely end the shortage for video cassette recorders, microwave ovens and personal computers. Output would certainly rise if we could set up production under license from and in cooperation with foreign firms. But in this case, given our shortage of hard currency, the output of such items should be based on their ability to earn hard currency. We are actively working in this area and have already achieved certain results.

We must mention other problems related to market saturation. Prices are of considerable importance. In our economy, their regulating role is very small. In a great majority of cases, shortages occur when prices no longer perform the function of balancing supply and demand, when they become inert and insensitive to market conditions.

[Question] Domestic electronics are often unreliable. What is being done to overcome this defect?

[Kolesnikov] We are actively working to introduce international quality standards as quickly as possible. Yet, this is not a simple process. High quality is achieved when an entire range of problems is resolved. It depends not only on a successful design but the level of automation of the production process, the quality of materials and the extremely high level of the entire production process, to say nothing of the quality of service and repairs. Although we have made considerable progress in automating all stages of design and production, the problem of materials quality remains. Our industry uses 20,000 types of different materials, and practically on any given day enterprises stand idle while waiting for one or another of them to be delivered. Given such breakdowns in the rhythm of production, it is very hard to make reliable goods.

In addition, we must keep in mind that it is sometimes easier to build a complex robot or a computer center

than to enforce labor discipline and eliminate numerous violations of the technological processes. Our industry has plenty of those.

Yet, there are some improvements in the quality of products. In the past two years, the number of complaints about the quality of electronic parts from our colleagues producing color television sets has declined 3-5 times, and warranty repairs and consumer complaints 1.5-2 times.

[Question] Today, design and production of consumer electronics are in the hands of several ministries: yours, communications, radio industry and others. Is it too much or too little? Where, in your opinion, should economic reform move: toward centralization or in the opposite direction?

[Kolesnikov] The number of ministries involved in producing the above-mentioned goods is not at issue, their efficiency is. The existing system of management has largely outlived its usefulness and economic reform must certainly increase decentralization in consumer goods production.

However, even under a market economy, the principle of decentralization should have optimal limits. First of all, this refers to complex consumer electronics, the task of designing and producing which requires a high level of technology and large initial outlays, which few enterprises can afford. Therefore, in order to supply the market with such electronics in a short time period, we need, at a certain stage, to concentrate resources and means to achieve this goal. It can be done by the industry and examples are not hard to find. In a very short time, we began mass production of tape recorders, television sets, color monitors, refrigerators and other consumer goods in this country.

[Question] Once enterprises become independent, how in your opinion should the role and functions of the ministry change?

[Kolesnikov] They have already changed considerably. Primarily by raising the role of the ministry in forecasting industry development trends, drafting investment policy, coordinating measures to attain world quality standards and accelerating the introduction of advanced technology and experience in the area of organizing production and management.

There are still some difficulties on this path. In essence, the new status of the ministry under changing conditions has not been defined, and we are being asked to fulfill old responsibilities without old rights.

For instance, we have no way to alter the makeup of state orders to benefit the economy, and all conflicts must be solved directly by the apparatus of the ministry. Plans given to enterprises usually do not agree with the initial ministry data and the flood of correspondence with all managerial entities has not abated.

[Question] What was the impact of government decisions on conversion on the work of your ministry and, most importantly, on the production of consumer goods?

[Kolesnikov] Thanks to conversion from military production, the volume of military orders in the computer technology, microelectronics and semiconductor sectors has declined and this allows us to raise considerably the output of electronic components for consumer electronics.

At the same time, having analyzed various forms of conversion, we have decided to make use of the accumulated research, technical and productive potential of design firms and enterprises in the most promising areas of new consumer goods production. For instance, design and development firms have been set up at two major enterprises in the industry to develop new types of consumer video recorders, and one of those enterprises has already started making "Elekronika VM-18" video recorders.

[Question] Vladislav Grigoryevich, is it difficult to be a minister, especially these days?

[Kolesnikov] Yes, it is tough. I have never liked managing people and this work tires me out most. I am an engineer both by training and calling, and my greatest pleasure is to be at the computer. Unfortunately, I do not have much time to relax in this way.

Savings Banks Issue Bonds For Consumer Goods

904D0155A Kiev PRAVDA UKRAINY in Russian
1 May 90 p 4

[Article by TASS correspondent: "How To Win An Automobile?"]

[Text] The savings banks of union republics have started receiving bonds for the acquisition of small automobiles. The distribution of these bonds among the collectives of enterprises, organizations and institutions has commenced.

This event has not gone unnoticed and it has aroused a considerable amount of interest. Many people are interested in it and wish to know more about this new form of bank services for customers and the conditions for its use. Thus, for the purpose of encouraging the attraction of monetary resources of the population for solving urgent social tasks, a state special purpose interest-free loan in the form of bonds for acquiring consumer goods is being issued this year. In all, the plans call for Goznak [State Bank Note Factory] to issue 6,610,000 bonds worth approximately 10 billion rubles.

Among the prizes—various types of small automobiles, mini-tractors, motorcycles with sidecars, refrigerators, color television sets, washing machines—in all, 16 types of products. Each bond is being issued with a value corresponding to the price of the product being offered in return for it. For example, 20,000 bonds valued at 16,000 rubles each for the right to obtain a Volga

automobile and 70,000 valued at 5,300 rubles each—for the Tavriyu and other makes of vehicles—have already been issued. And 40,000 bonds valued at 1,000 rubles each have already been issued for the triple-compartment ZIL refrigerator.

Since the quantity of goods is limited, the bonds are being distributed through the labor collectives and the executive committees of local soviets of people's deputies. Branches of the Savings Bank will sell them based upon lists of enterprises and organizations in which the type of goods and their specific recipients are pointed out.

It bears mentioning that in Kazakhstan, Kirghizia and a number of oblasts in the Russian Federation, where the soviets are carrying out active work in this direction, the sale of bonds has already commenced. True, the sale of these bonds is being held up by the fact that as yet

Goznak has as yet printed securities only for automobiles and mini-tractors; plans call for securities for the remaining goods to be issued in the near future. Thus, at the present time the institutes of Sberbank (State Savings Bank) are in many instances obtaining the required amounts from their customers and issuing receipts which, prior to 1 October, will be exchanged for the bonds. The holders of the bonds will obtain the appropriate goods at stores where they registered these securities throughout the year 1993.

One particular question might arise: according to what principle will the bonds be distributed in certain regions? This will be the concern of the USSR Ministry of Trade, based upon each union republic's proportion of the country's overall retail turnover in goods and this figure, as is well known, is closely associated with the size of the population involved.

ELECTRIC POWER GENERATION

Scientist Urges Environmental Considerations in Nuclear Power Plant Siting

90WN0246A Moscow PRAVDA in Russian 30 Jul 90
Second Edition p 3

[Article by V. Osipov, corresponding member of the USSR Academy of Sciences: "Where Should the Nuclear Power Plant Be Put?"]

[Text] In November 1989 PRAVDA published a report about the change that was being made in the function of the Crimea Nuclear Power Station, which was under construction, to make it a training complex for preparing nuclear power plant operating and repair personnel. It seems that reason triumphed. But a number of questions arise. First, who will answer for the 600 million rubles spent to build the Crimea Nuclear Power Station, and will that money be even partially returned to the country? Second, how could it happen that the construction was begun in the Crimea of such a large facility representing an increased environmental hazard without sufficient scientific feasibility studies and, in particular, without a thorough assessment of the seismicity of the region in which the power plant was to be sited? Construction was based on a calculation of a seismicity of seven points on a 12-point scale, while the latest findings of seismologists rate the territory at nine points.

It is surprising and disturbing that the situation with the Crimea Nuclear Power Station is not an isolated case and obviously no matter of chance. At present the question of the Tatar and Rostov nuclear power plants, which are under construction, has become urgent. In both cases the geological and environmental feasibility of the power stations' siting have been called into doubt. That same circumstance was one reason that the Armenian Nuclear Power Station was closed and construction halted on the Odessa Nuclear Heat and Power Station. One could go on citing such examples.

A traditional question occurs to anyone who is unfamiliar with such matters: How could such miscalculations, leading to unwarranted expenditures, have been made? There are many reasons here. We can examine several of them.

The first is the absence of proper geological and environmental feasibility studies supporting the selection of sites for the power plants. The decision of this matter was determined mainly by economic considerations: A nuclear power plant must be built where there is a shortage of electricity, i.e., closer to industrially developed regions and the energy consumers who are found in such regions. Within the boundaries of the regions that were thus determined, engineering and geological prospecting work was subsequently carried out to locate the precise construction sites. In that process, one condition for the choice of a site for a nuclear power plant was its proximity to a large natural or artificial body of water capable of serving as a cooling pond for the plant.

The second reason should be seen as practice, supported by unknown arguments (most likely, economics again), of building only above-ground nuclear power plants, and building them primarily on bases of sedimentary sand and clay stone. Alternative versions entailing underground or partially sunken nuclear power plants were not considered, even for regions with heightened seismic danger.

The next reason is hastiness in conducting prospecting and design work, which makes it impossible to conduct the full set of studies. One gets the impression that the departments carrying out the design and construction of nuclear power plants considered their most important task to be to begin building a power plant as quickly as possible and then to confront people with the fact that construction has begun and money spent. And when belated public protests arose, out came the familiar expression: "Who's going to permit you to throw away money already spent!"

In examining the reasons for the critical situation in the country's nuclear power engineering, one cannot fail to dwell on yet another one, one that may be the most important and the source of all the other miscalculations—it is our excessive confidence in the safety of nuclear power plants. The mistaken notion that nuclear power stations are no more dangerous than conventional stations that burn fossil fuel was elevated to the status of a national truth. It resulted in a situation in which nuclear power plants started to be sited practically in the suburbs of large cities. Thus, a whole series of plants, such as the Balakovo, the Gorky, the Zaporozhye, the Voronezh, the Rostov and others were built or are being built at distances of less than 30 km from cities with populations of more than 100,000!

The Chernobyl accident brought to light many problems that had accumulated in nuclear power engineering. Since the disaster the discussion of them has gone far beyond the limits of professional debates and taken on an intense social resonance. Public protests sometimes assume the most extreme forms. Ideas about completely abandoning nuclear power engineering and replacing it with renewable forms of energy—solar, wind and geothermal energy, and hydroelectric power generated by tides and rivers—are being expressed with increasing frequency. In this connection a whole series of arguments are advanced concerning the preferability of renewable energy to fuel-based energy, the chief of which arguments is the claim that these types of energy are absolutely clean environmentally. It is impossible not to agree that in the long run there really are no alternatives to renewable types of energy, if only because reserves of many types of fuel on earth are strictly limited. But it is also indisputable that the production of renewable types of energy cannot be considered competitive with traditional types of energy in the near future. Even if the most intensive research and engineering and design work were undertaken, it would take a certain time before existing ideas could be implemented on a broad industrial scale. Moreover, claims that the production of renewable types

of energy is environmentally clean cannot be considered to be well founded. Hydroelectric power engineering is a vivid example. We know how many environmental problems are associated with its development. It is no accident that, along with the protests against the construction of nuclear power plants, a no less powerful wave of protests has been directed against the further development of hydroelectric power facilities.

In the existing situation, a correct and intelligent strategy is being proposed—the development of energy-saving technologies. But it will hardly suffice for carrying out plans for the country's socioeconomic development, if you consider the fact that we already lag behind the developed capitalist countries by nearly half in our per capita energy consumption. Consequently, in the next 30 to 50 years we will be forced to continue to use fuel-based forms of energy in order to keep from turning into an underdeveloped country.

It is necessary to agree with that conclusion, but with one qualification: The strategy for the safety of energy production must be radically changed. It should be based on the principle of the priority of the environmental safety over all other principles, including economic principles.

Do possibilities exist for improving safety in nuclear power engineering? Such possibilities unquestionably do exist, but realizing them requires a clear-cut and scientifically substantiated concept, a concept which should consist of a comprehensive system based on two main principles: physical and geological. The first principle includes the development of a new type of reactor, the safety of whose operation would be ensured independently of the human factor (mistakes in operating a nuclear power plant, sabotage, or poor-quality installation or construction), and the second includes ensuring the security of a nuclear power plant against natural disasters associated with seismicity, the tectonic movement of the earth's crust, subsidence, the settling of the earth's surface, etc.

I shall not dwell on the first principle of the concept. That is the physicists' prerogative. As a geologist, I would like to expound my ideas about ensuring the geological safety of nuclear power plants.

More specifically, it is necessary to correctly decide the question of where and how nuclear power plants must be built. In other words, we need a clear-cut system of ideas about the geological and environmental risk of building nuclear power plants, in the absence of which system even super-reliable reactors will not provide a complete guarantee of safety. Within the framework of such ideas, feasibility studies must be conducted with regard to the siting of nuclear power plants, i.e., the regions must be determined that are the most favorable for building nuclear power plants in terms of their seismic, tectonic-structural, geomorphological, hydrogeological and other conditions. The magnitude of territories' seismicity and tectonic disruption, as assessed on the basis of general

and detailed regional seismic studies, as well as a tectonic-structural analysis, including current movements of the earth's crust, is of fundamental importance.

The concept of geological risk should provide the key to resolving the question not only of where to build but also of how to build nuclear power plants—in above-ground, underground, or semi-underground versions. Indisputably, the safest and environmentally cleanest option is to locate reactor units underground. Unfortunately, until recently it has not been studied seriously in our country, with high cost usually given as the reason. Yet specialists' calculations, as well as the experience of building and designing underground nuclear power plants in Norway, France, the United States and Sweden, show that their cost is no more than 10-15 percent higher than above-ground versions. And they entail a whole series of advantages: in the case of an accident at such a plant, the level of radiation pollution of the surrounding area is less than one-thousandth the level it would be with an above-ground plant; when a plant is sunk below the ground, the level of seismicity drops by 1.5 to 2 points; and work to bury the plant's spent fuel becomes considerably simpler and less costly.

All-Union Central Heating Program Reviewed

904E01184 Moscow ENERGETIK in Russian No 5, May 90 pp 2-4

[Article by Doctor of Technical Sciences Ye. Ya. Sokolov of MEI [Moscow Power Engineering Institute] under the rubric "The 70th Anniversary of the GOELRO Plan": "District Heating in the USSR"]

[Text] Heat consumption is one of the main items in the fuel and power equation of the USSR. Over 600 million tons of fuel equivalent—i.e., roughly 30 percent of all the fuel and power resources utilized in the country—are consumed annually to satisfy the country's heating load. This is 1.5 times more than the consumption of primary power resources for the country's electrical supply.

The heating system of the USSR has been developing for a prolonged period of time along the path of concentrating thermal loads, centralizing heating supply and combining the generation of thermal and electrical energy.

An orientation toward the cogeneration of electric power and heat was envisaged as early as in the GOELRO [State Commission for the Electrification of Russia] plan. This idea has been widely realized in the cities and industrial regions of our country.

The development of district heating facilitates the resolution of many important national-economic and social problems: raising the thermal and overall economy of electric-power production, providing economical and high-quality heating supply for municipal housing and industrial complexes, improving the ecological situation in cities and industrial regions and reducing labor expenditures in heating.

District heating is the principal, but not the only, type of centralized heating supply in our country. Heating supply from economical boilers, as well as industrial heat-recovery installations, are also finding efficient utilization.

The principal power-engineering impact of district heating consists of replacing the heat generated in separate power-supply in boilers with spent heat drawn from the thermal-power cycle. The useless loss of heat into the environment in the conversion of the chemical energy of fuel into electric power is thus eliminated in electric-power production.

The development of cogeneration is a basic way of improving the thermal economy of electric power production in our country. The fuel economy from it totaled 45 million tons of fuel equivalent in 1988, or 13 percent of the fuel consumption for the generation of electric power at all of the thermal electric power plants of USSR Minenergo [Ministry of Power and Electrification].

Fig. 1 shows the dynamic of changes in the unit consumption of fuel equivalent (net) for the generation of electric power at the thermal electric power plants of USSR Minenergo from 1961 through 1988. The unit consumption of fuel declined from 450 to 355.6 grams/kWh [kilowatt-hour] at condensation electric power plants [KES] and from 462 to 268.4 grams/kWh at TETss [heat and electric power plants], and an average of from 454 to 325.3 grams/kWh for all TESs [thermal electric power plants] burning organic fuels, over that period.

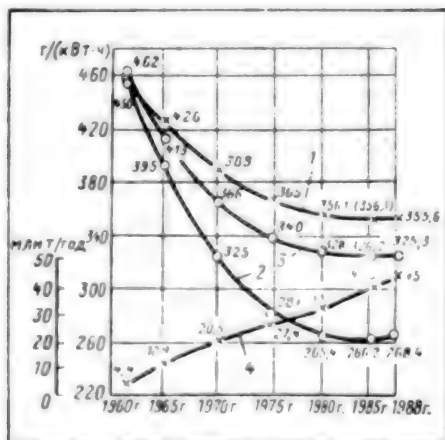


Fig. 1. Dynamic of changes in average unit fuel consumption (net) at general-purpose electric-power plants and fuel economy based on cogeneration of electric power at TETss:

Key:
1, 2, 3—fuel consumption at KES, TETs and TES respectively;
4—fuel economy;
small y-axis—millions of tons/year;
large y-axis—grams/kWh;
x-axis—year.

The difference in average unit consumption of fuels at KESs and TETss was 87.2 grams/kWh in 1988. The unit consumption of fuel at TETss not only did not drop, but rather even grew by 2.2 grams/kWh, over the last three years.

The absence of a trend of further reductions in the unit consumption of fuel at TETss has caused the growth in TETs thermal loads to lag growth in electric capacity, which has led to a leveling off of the share of cogeneration of electric power at TETss at the level of 60-61 percent. This measure is substantially lower than projected, roughly 70 percent.

The principal path for a further rise in the share of cogeneration of electric power at TETss consists of increasing the thermal loads at TETss through the removal from operation of the low-efficiency boiler installations of heat consumers. Economic conditions must be created to provide incentives for this substitution.

Fuel economy based on TETs cogeneration went up over 1985-88 despite somewhat of a rise in the unit consumption of fuel at TETss, since the output of electric power from TETss grew from 331 to 375 billion kWh, i.e. by 13 percent. Not only did the absolute output of electric power at TETss go up over those years, but so did the share of TETss in the total output of electric power from TESs operating using organic fuels—from 33.4 to 34.7 percent—and a corresponding reduction thus occurred in the average unit consumption of fuel at TESs despite somewhat of a rise in this indicator at TETss.

District heating, aside from the enhanced thermal economy of electric power production, also provides a substantial economy of fuel through the concentration of heat generation and the centralization of heating supply thanks to the higher efficiency factors of the high-capacity boilers of a TETs compared to those of district, neighborhood or local boilers of significantly smaller capacity.

The economy of fuel though the concentration of power generation and the centralization of heating supply could be estimated at 23 million tons of fuel equivalent a year with an average unit economy of fuel of 5 kg/GJ [kilograms/gigajoule] (21 grams/kcal [kilocalorie]) through the higher efficiency factors of boilers at a TETs and annual heat output on the scale of 4.7 billion GJ from the TETss of Mosenergo [Moscow Power].

The total annual fuel economy at the district heating installations of USSR Minenergo totals roughly 68 million tons.

The USSR Ministry of Power and Electrification is the largest producer of heat in the USSR. There are more than 360 TETss and roughly 250 major boiler installations under its authority. The structure of installed TETs capacity according to the initial parameters is 8 percent at 24 MPa [megapascals], 65 at 13 MPa, 21 at 9 MPa and 6 percent at 4.5 MPa or less. The annual start-up of district heating-supply capacity totals roughly 2.5 million kW [kilowatts].

District heating-supply capacity designed for steam pressures of 13 and 24 MPa is currently being started up at the TETss of USSR Minenergo.

The unit cogeneration of electric power at TETss, determining fuel economy through the use of district heating in electric power production, totals an average of 80 kWh/GJ of heat drawn from turbine bleed-off for USSR Minenergo. It depends markedly on the initial steam parameters at the TETs and the steam parameters in the bleed-off taps of the heating-supply turbines. The T-250-240 turbines have the largest value of unit cogeneration—160 kWh/GJ. The unit cogeneration is an average of 25 kWh/GJ lower on turbines designed for initial steam pressures of 13 MPa at the same steam bleed-off pressures. The unit cogeneration is an average of 50 kWh/GJ lower for turbines designed for an initial steam pressure of 9 MPa compared to the 24-MPa turbines.

The increase in unit cogeneration is an incentive for improving the structure of TETs equipment in the direction of raising the initial steam parameters. The replacement of 1 Gcal of heat from turbine bleed-off with an initial steam pressure of 13 MPa with bleed-off from a 24-MPa turbine provides an additional savings of fuel equal to $0.2 \times 105 = 21$ kg with an average difference of unit fuel consumption of 0.2 kg/kWh for the condensation and district-heating supply of electric power.

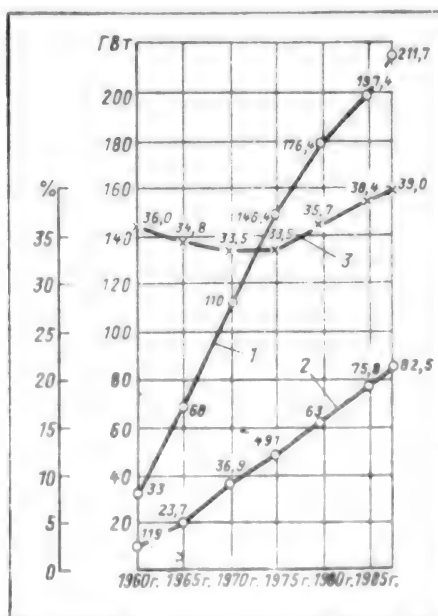


Fig. 2. Dynamic of development of electric-power capacity of thermal electric-power plants:

Key:
1—TES using organic fuel;
2—TETs;
3—share of TETs capacity of total TES capacity;
y-axis—gigawatts;
x-axis—year.

Fig. 2 shows the dynamic of development of TETs electric power capacity.

It reached 96 million kW in 1988, including 82.5 million kW at the electric power plants of USSR Minenergo. Some 86 percent of the electrical and 80 percent of the thermal capacity of all of the country's TETss falls to the share of the heat and electric power plants of USSR Minenergo.

The annual generation of electric power by the heating-supply turbines of USSR Minenergo totals 436 billion kWh, or 37 percent of the generation of thermal electric power plants. The cogeneration of electric power at the TETss of USSR Minenergo totals 61 percent of their total generation.

The annual output of heat at the TETss of USSR Minenergo totals roughly 4.7 billion GJ. Approximately 0.8 billion GJ of heat are produced by the remaining TETss of the country. The TETss thus put out a total of 5.5 billion GJ of heat a year.

The annual total output of heat from all other installations for centralized heating supply—i.e., industrial, district and neighborhood boilers and the heat-recovery installations of industrial enterprises—is roughly the same amount. Centralized heating supply provides for roughly 70 percent of heat consumption, half of that through district heating, with a total annual heat consumption of 16 billion GJ (3.8 billion Gcal) in the national economy and the country's municipal-housing sector.

The enlargement of TETss and increases in the unit capacity of boiler and turbine assemblies and the modular configuration of equipment, as well as the use of cheaper water-heating boilers and low-pressure steam boilers to cover the short-term peaks of seasonal and process heat loads and for back-up heating supply, will facilitate an acceleration of the development and improvement of the economic indicators of district heating.

The use of water-heating and low-pressure steam boilers for centralized heating supply in the initial stages of district-heating development provides a gain, in a number of cases, in the precedence of capital investment, making it possible to centralize heating supply with minimal expenditures on the construction of heat sources in regions where the operational start-up of a TETs comes after the start-up of the heat consumers. These boilers are used to cover peak heating loads and for back-up heating supply after the operational start-up of the TETs.

The incorporation of progressive TETs designs with enhanced plant prefabrication that envisage installation in construction-process sections with various types of turbines and the same types of boilers, making possible an appreciable (5-10 percent) reduction in capital and

labor expenditures for TETs construction and reductions in the time periods for their construction, are facilitating a rise in the efficiency of district heating.

The USSR occupies a leading world position in the scope of development of district heating and centralized heating supply. This method will be developed intensively in our country in the future as well. The planned increase in the rated capacity of TETs should lead to further growth in the power efficiency of district heating.

The use of GRESs [state regional electric power plants] located close to major cities via the modernization of condensation power units with capacities of 160, 200 and 300 MW [megawatts] into district-heating ones with the replacement of all worn parts is expedient as an additional path for the development of district heating under conditions of the restricted shipment of organic fuels into the European part of the USSR. This modernization will make it possible to prolong the period of active operation of the GRESs and to raise their thermal economy.

The reduction in unit fuel consumption (net) at the redesigned GRESs through the cogeneration of electric power is 40-100 grams/kWh. Favorable conditions are also created for the elimination of small boilers, reductions in labor expenditures in heating and the conversion of the heating supply of cities from gas (which the small boilers usually use) to solid fuel.

The use of steam-gas heating-supply installations with high-temperature gas turbines is expedient in areas that have gas at their disposal as a base fuel. These installations make it possible to obtain low unit fuel consumption with low initial expenditures.

The heating-supply grids are an important link in the district-heating system. Many of the powerful TETs, and first and foremost those for the heating supply of major cities, will be located considerable distances from the heat consumers, and often outside city lines, due to the rise in requirements for planning quality and the cleanliness of city airspace. The increase in the unit capacity of heat-supply sources and the radius of heat transmission is evoking the necessity of a marked increase in the reliability and economy of heating-supply systems.

Improving the systems for centralized heating supply for major cities in the following areas is a topical task: expanding the range of safe hydraulic modes; making full use of interlocking ties between allied trunk lines or allied TETs; reducing losses of system water in accidents in trunk lines; providing for the autonomous circulation of water in home heating systems independent of the heating-supply network; making more widespread use of automatic group and local regulation to supplement central regulation; and, incorporating remote-control and remote-management systems.

The initial expenditures for the building of district-heating systems, as well as the operating expenses for

transmitting the heat, depend directly on the unit consumption of system water per unit of thermal load of the system. A rise in the nominal temperature of the system water in the feed line to an economically justified value, the more extensive utilization of the enthalpy of the heat-transfer agent at subscriber installations through the sequential hook-up of heating consumers satisfied with heat of varying potentials (heating and hot-water supply or heating and ventilation, for example) of system water and the use of an open system of single-pipe (one-way) through transport of heat are all presently being used to reduce this indicator.

Raising the technical level of heating systems is of great significance. All elements of the heating system should be equally durable and provide for the high-quality operation of the heating-supply system for no less than 25-30 years.

The main way of raising the reliability and longevity of underground heating lines is to protect them against external corrosion. Special anti-corrosive coatings should be applied to the outer surface of steel pipelines. A technology for applying anti-corrosive coatings of silicate enamels, as well as aluminum, to steel pipelines has been developed in the USSR. The task consists of organizing the commercial production of these coatings.

Experience shows that surface heating lines have greater reliability and longevity than underground ones. It is thus advisable to build the heating lines outside and in the outskirts of cities and at industrial enterprises, as well as in other places where it conforms to architectural and planning requirements, on the ground surface.

Significant progress in raising the reliability—and reducing the labor expenditures in operation—of heating lines can be achieved with the installation of bellows-type expansion joints for temperature deformations on heating lines in place of the glandular ones currently employed. The manufacture of bellows-type expansion joints has been assimilated at the Leningrad Shipbuilding Yard. A conversion to the self-compensating lines that have been developed at the Institute of Electrical Welding imeni Ye.O. Paton of the UkSSR Academy of Sciences is being planned as a further step in this direction.

Another important task is raising the reliability of the thermal insulation of underground lines and reducing heat loss.

Pipeline designs of industrial manufacture in solid casings made of polyurethane with a thermal conductivity factor of $\lambda = 0.04-0.05 \text{ W/(m}\cdot\text{K)}$ —i.e., roughly a third of that for the heat-insulation designs made of mineral wool or reinforced-foam concrete currently in use—are currently in use abroad. The polyurethane insulation is additionally protected from moisture on the outside with a polyethylene casing. This insulation not only reduces heat losses, but also protects the steel pipeline from external corrosion.

The development of heat-insulating designs based on polymer materials is also underway in the USSR. This development must be accelerated.

Methods and instruments for non-destructive inspection and diagnostics of the state of underground pipelines that make it possible to establish the location of leaks of the heat-transfer agent without opening up the ducts should also be developed to improve the operation of contemporary long and far-flung heating lines. The development of these is also presently underway at a number of institutes.

The basic progress in building heating lines that create an opportunity to reduce the initial cost, labor expenditures and construction times with a simultaneous rise in reliability and longevity is proceeding—both in the USSR and abroad—along the path of industrialization, i.e. the manufacture of modular units of heating lines using mechanized means under plant conditions. The

construction and installation of heating systems, as well as chambers, manholes, heating substations and subscriber hookups, must also be mechanized.

The necessity of major overhaul on the trunk heating lines and the organization of the factory production of spare parts has currently also become acute.

Centralized heating supply should stimulate the improvement of the layout and equipment of subscriber heating systems in the direction of a combination of technological and power processes and the optimization of power expenditures. The task consists of conserving power resources along the whole path from the source of the heat to the heat-consuming instruments; the efficiency factors of all power, transmission and heat-using installations should be raised to an economically substantiated level.

COPYRIGHT: Energoatomizdat, "Energetik", 1990

Independent Trade Union Federation Head Interviewed

904F0245A Moscow PRAVDA in Russian 21 Aug 90
pp 1,2

[Interview with I.Ye. Klochkov, independent trade union federation chairman, by Ye. Sorokin: "The Unions' Independent Path"]

[Text]

[Question] Igor Yevgenyevich, in September the founding congress of Russia's trade unions, which was postponed in March, will resume. What is the federation's view of events occurring in this country? Is its voice heard in the political orchestra of Russia?

[Klochkov] Indeed, this country is currently going through a tempestuous period. The 28th CPSU congress and the RSFSR CC congress have been held, as have been founding congresses of other Russian parties, including the socialist, democratic, social-democratic and people's parties. The RSFSR agrarian union has been formed. The labor confederation has emerged, uniting various strike committees.

The first congress of RSFSR people's deputies was a major event not only for Russia residents but for the entire country. It passed many decisions which are important for the future of Russia.

These decisions created a new socio-political climate in the republic, with regard to which the Russian union center has defined its position.

First, we support and approve the decisions of the Russian congress since they benefit the republic's workers and do not violate the integrity of our union.

Now that Russia's sovereignty has been legally asserted and government functions separated, real conditions are being created to solve socio-economic problems using Russia's own means and resources. In these conditions, Russia's trade unions will be able to take an active and constructive part in developing social policy and fully play its protective role.

We will be looking for effective forms of interaction with the RSFSR Supreme Soviet, its committees, permanent commissions of both chambers, the RSFSR Council of Ministers and the deputies corps of the Russian Federation.

As is well-known, Russia's government intends this year to give enterprises the legal right to withdraw from administrative and departmental management structures and choose organizational structures and property forms independently. This approach is in the interest of labor collectives and dovetails with our position.

Extremely important was the government's first step to develop a mechanism for shifting the economy to a market system. The goal has been set to draft a republic program for switching to market relations and to submit

it to the RSFSR Supreme Soviet for review in two months. An administrative retail price hike is not believed to be a necessary step, since in and of itself such a measure will not reduce the goods deficit.

In this area, our position has been stated quite clearly; we declared it in the mass media, it received support at the grassroots level and we will stick to it. The idea is to establish a roundtable to include representatives of the government and local executive authorities on the one hand and the trade unions as representatives of workers on the other. This should be done at all levels: union, republic and regional.

We think that only in this manner—by considering in detail, step by step, the entire system of market economy, its near- and long-term impact and alternative drafts of legislation—could we gain acceptance for the market among all main social groups. After that, we will need to get the country's approval in a popular referendum.

We totally reject statements by some economists and politicians that by proposing a referendum on the shift to market relations the trade unions want to make sure that the government program is blocked. On the contrary, we support meticulous preparations and thorough explanations of the main points of the impending reform to the people, to make sure that everyone understands that there is no alternative to the market and is ready to make a conscious decision and place his trust in the government for very bold practical steps.

[Question] The council of the federation proposed a roundtable more than three months ago. However, there has been very little seen or heard about its implementation.

[Klochkov] In essence, the union government ignored our statement as well as the relevant letter addressed to it. Such non-constructive attitude causes nothing but a further buildup of tensions in this country. So, three months have unfortunately been lost.

[Question] Now, in connection with the shift to a market system, we increasingly hear such terms as "hired laborer," "employer" and "price of labor." Yet, these terms have no legal content.

[Klochkov] Today, workers sell their labor according to state tariffs imposed on them from above. In this system, better qualified and enterprising professionals are the ones who suffer most. Under a market system, new ethics of labor relations will emerge when each side, the wage laborer and the employer, will have strictly defined rights and responsibilities. Labor will be priced according to market laws.

It is absolutely clear that in the new system three main forces will interact: wage laborers represented by their unions, employers joined into various associations and confederations and the government. In an open and free

confrontation they will help society progress, without letting social tensions build up.

This is why the FRITU (federation of Russia's independent unions) sees the speedy drafting and passage by the RSFSR Supreme Soviet—taking into account the wealth of international experience—of the new labor code as one of its most urgent aims.

We will also work for the passage, on a priority basis, of the law on employment in the RSFSR and the law on income indexation to price changes.

To make sure that the program of shifting the RSFSR economy to market relations takes into account opinions of as many economists and labor collectives as possible, we think it will be necessary for the FRITU council to set up an association or a club of independent economists. Such economists could be invited to review proposals and draft alternative union proposals, to be submitted to the republic's Supreme Soviet and government.

We are willing to work together with the government to rebuild the countryside, to foster more harmonious development in such regions as Non-Chernozem, Siberia, the North and the Far East, to settle refugees and to provide normal living conditions to Afghanistan veterans and servicemen discharged as a result of personnel cuts in the armed forces. The unions, just like the government, want to restore culture and morals, strengthen the spiritual and physical health of all ethnic groups in the Russian Federation, raise the social standing of teachers, doctors, engineers and cultural workers and improve their living conditions.

[Question] So, can Russia's cabinet count on full cooperation from independent trade unions?

[Klochkov] Yes, but on two important conditions. First, that they and the Supreme Soviet pass no decisions infringing on the interests of workers, students and retirees, as well as individual regions of the republic. Second, that it does not ignore proposals submitted by the unions and does not try to diminish their role as legitimate representatives of workers.

I feel that it is necessary to state this now, since we see a tendency at the all-union level to block union activities by essentially anti-union legislative acts. For instance, the recently passed USSR law on enterprises makes no mention at all of the role of the unions in resolving issues of pay and social benefits, striving for better labor and living conditions, negotiating collective contracts and supervising their implementation. The earlier law on resolving collective labor conflicts allotted the unions a secondary role.

The FRITU council gets many letters from trade union activists outraged by the draft USSR law "on public associations" published in the press. This law undermines the very essence of the trade union movement, effectively bans workers' organization from protecting their legitimate rights and interests and equates the

unions with kids' organizations and various associations and funds. The recent FRITU plenum approved a special statement on this subject, which resolutely protested this legislative course of the USSR Supreme Soviet on behalf of Russia's trade unions. The letter was sent to the Soviet parliament.

[Question] Igor Yevgenyevich, the concept of the shift to a market system has been criticized both from the right and from the left. But it is no secret that we will not be able to build a market system without making sacrifices. Maybe those people are right who say that the unions do not want a constructive dialogue with the government but stand in the way of its program because they hope to score political gains.

[Klochkov] No, the FRITU council does not think so. We are trying to be constructive. We understand, of course, that the shift to a market system is a major shock for society: it is a change of economic system and a shift in assumptions imbedded in people's consciousness for many decades. In other words, it is a major step and it will cost us dearly. The people will pay this price. At issue here is to make sure that the price is accepted, that we, all of us, know what we are embarking upon and what awaits us in the future. Yes, there will be a stretch of hardship and an inevitable decline in the overall standard of living, but at the same time we must not forget a single group or a single layer of society, and make sure that they do not find themselves below the survival level. This is why we need a roundtable discussion.

[Question] What practical steps has the federation taken to fulfill its main goal of protecting socio-economic interests of workers?

[Klochkov] First, as mentioned earlier, in connection with the USSR Supreme Soviet debate on the government concept of the transition to regulated market relations, the FRITU council presidium specially considered that issue and, based on the opinion and assessments of our member organizations, rejected it. Our statement was published in the press and sent to A.I. Lukyanov, chairman of the USSR Supreme Soviet.

At the first congress of RSFSR people's deputies, a coalition of FRITU deputies was formed, comprised of 87 members. It was registered and is headed by RSFSR people's deputy K. Doyev, member of the FRITU council presidium and chairman of the Severo-Osetinskaya Oblast trade union council. He spoke at the congress and presented the position of the FRITU. The meeting of deputies passed the platform of action of the FRITU deputies coalition, which was distributed as an official document of the congress.

The secretariat and commissions of the FRITU council started their legislative activity. The FRITU deputies coalition proposed at the congress such urgent legislative acts as the labor code, the civil code, the residential code,

the law on protecting the health of the republic's population and the law on the environment. The agreement between the FRITU and the Russian Federation for 1991 is being drafted.

Concrete actions have also been implemented. For instance, during events in Ufa, FRITU specialists not only provided on-the-spot guidance to Bashkir ASSR trade union organizations (the unions' proposals were incorporated nearly in their entirety in the relevant government resolution), but, as a preventive measure, studied the economic situation at nine other oblasts, where a similar potential danger existed. In Murmansk, an interregional trade union conference took place on specific socio-economic problems facing the North; between 10 July and 20 July, those regions held days of workers' unity under trade union slogans.

It was what we called the first test for the FRITU, and for our entire staff; it was a test whether we could organize coordinated actions and stage mass rallies and meetings. In many cities, this "peaceful trade union march" proceeded energetically, revealing strength and solidarity of workers and their willingness to defend staunchly their constructive demands.

[Question] What actions will the federation undertake in the near future?

[Klochkov] Our main concern is to shift to a market system. Currently, government experts of the Soviet Union and the RSFSR are holding meetings, but once again it is done behind closed doors, without union representatives. What will happen? Will workers once again be presented with a *fait accompli*? And yet, the unions and the FRITU council have concrete proposals, including those which relate to providing full employment and to the republic program of shifting to a market economy. We will fight for them in the RSFSR Supreme Soviet.

In the near future, the RSFSR Supreme Soviet will discuss proposals on such legislative acts as the laws on referendums, on political parties, on freedom of speech and mass media, on local autonomy and local economies and on the RSFSR soviets of people's deputies. Russia's unions will actively participate in this work.

Yet for us the priority issue is, of course, the law on trade unions in the RSFSR. It is being intensively worked on, and will be widely discussed by union organizations. We will demand that the government calculates the basket of consumer goods by regions, publicizing it broadly in the press as a basis for computing the minimum living standard, and publishes inflation indices and unemployment figures.

The most important among our organizational goals is continuing to build the federation and further reform the Russian trade union movement. All trade union structures must change. The process must move upward from below and affect all existing structures. It should be

acknowledged that our primary organizations are inhibited. There is a gap between the union and its chairman on the one hand and the mass of union members on the other. It is in a large measure the result of the fact that union committees still limit themselves to distribution functions, are busy solving such problems as young pioneers' camps, culture and sports, usually prefer to avoid conflicts with management on such issues as wages, work conditions and schedules and do not put their demands to superior economic organizations or authorities.

The main conclusion of our founding congress was that the most important link in the union system is its primary organizations. It is there that people work, pay their membership dues, face actual problems and seek support and protection. Everything that is above the primary level should be viewed as structures created by that level and serving that level.

[Question] Igor Yevgenyevich, the unions have declared themselves independent of party, public, state and other structures.

[Klochkov] I think that in a multiparty system we must build our trade union unity and solidarity not on the principle of sympathy for given political beliefs or slogans but on that of protecting people's socio-economic interests related to their labor relations. If we start getting involved in the political situation, we will lose a lot. In this situation I think that we, communists working in the unions, should stay away from election campaigns in party entities.

The political report to the 28th CPSU congress noted that the party builds its relations with the unions based on partnership and equality. I support such cooperation. We have a common goal, even though we come to it by different paths.

Commission Discusses Upcoming USSR Trade Unions Congress

904F0249A Moscow TRUD in Russian 30 Aug 90 p 2

[Report by V. Pisarchik: "So That It All Doesn't End in a Name Change: The Session of the Commission Preparing the 19th USSR Trade Union Congress"]

[Text] Moscow—"These days it's not unusual to hear that in October the AUCCTU (All-Union Central Council of Trade Unions) is going to try to get by with simply changing its name," said G. Dobrydnev, chairman of the SKB trade union committee of the Moscow "Geotekhnika" association and a delegate to the congress, at the last session of the commission preparing the 19th USSR trade union congress. "Therefore we must do everything we can to ensure that the trade unions become a truly independent and strong association for the defense of workers' collective interests."

Of course, it is the congress that will make the decisions. But if it's going to work "off the page," as the saying goes, it's hard to expect any high degree of results. Therefore, the first item on the agenda of the commission's August session was a discussion of the drafts for the "AUCCTU Report on the Work of the USSR Trade Unions in the Period Since the 18th Congress and the Problems Involved in the Cardinal Renovation of the Country's Trade Union Movement," resolutions, and other congress documents.

True, the objective analysis of concrete texts did not work out, although several proposals were made.

The commission members received the materials for the report and the draft of the resolution only on the eve of the session. But a way out was found. At the suggestion of the commission's leader, AUCCTU deputy chairman V. Shcherbakov, the commission members will take the documents they received back for discussion in their own labor collectives, councils, and trade union committees.

"The report will become relevant once it reflects the thoughts and ideas being discussed in the primary organization and expressed at the trade union conferences and congresses," he remarked.

But new ideas, which have yet to be evaluated, keep being born. Here is one of them. As we know, three alternatives have been proposed in the 8th AUCCTU plenum documents for the name of the new USSR trade union formation—Association, Confederation, and Federation. But in literally the last few months, republic and branch trade union federations and conferences have already been formed in the country. As a result, this kind of name for an all-union trade union structure might well lead to confusion. The word "association," although it is applicable as far as meaning goes, nevertheless does not express the principles of the new structure's formation.

Also introduced was a proposal to create an All-Union Confederation of USSR Trade Unions. This would mean that, on the one hand, the trade unions would unite on a national level, and on the other, the association would be created on the principles of voluntarism, independence, and equal rights.

Behind the ideas proposed to the 19th congress is the aspiration not to limit ourselves to changing our name or slogans but to overturn the pyramid of trade union structures and put it on a firm footing, so it does not topple. Here are a few lines from the "Botkinskiy zavod" production association (PO) trade union conference resolution: "The drafts proposed for discussion place the primary organization at the pivot of interest, giving it the right to representation in the highest-level trade union organs. Voluntary membership and the right to trade union organization independence reflect the primary organizations' needs and requirements."

Naturally, structure and principles of construction are not a goal in themselves.

Here is the opinion on this point of A. Korshunov, member of the Supreme Soviet and people's deputy from the trade unions:

"If we are to have independence in deed and not word alone, I think much can be accomplished. We absolutely must find ways to protect under market economy conditions not only the disadvantaged but everyone occupied in productive labor."

Is it within the trade unions' power to do this, do they have that kind of potential? Several people who have already been selected as delegates to the 19th congress worked on the commission. I asked one of them—I. Burenok, a machinist in a Kazanovskiy peat briquette enterprise in Bryanskaya Oblast—this question.

"We are now observing the following picture here. The party apparently no longer has any influence over the affairs of the labor collective. In the Councils they are still dividing up power rather than implementing it. The trade unions are still functioning stably. The most important thing for the congress is not to get drawn into the process of general schism. Then we will be the force that is able to defend the workers," said I. Burenok.

Well, that will depend in large part on the delegates to the 19th congress, which begins its work on 23 October.

The commission approved the schedule of regional meetings between AUCCTU leaders and delegates to the 19th congress, examined the progress of discussions in the primary organizations on the drafts of the Declaration on Education, the Basic Organizational Principles, and the agenda for the Association (Confederation, Federation) of USSR trade unions, as well as other issues.

LaSSR Free Trade Unions Congress Profiled

904F0181A Moscow TRUD in Russian 31 May 90 p 2

[Article by G. Lapinya, TRUD correspondent, Riga: "The Free Trade Unions of Latvia Completed Their Congress in the Absence of a Specific Program"]

[Text] It was on the eve of the 13th Congress of Latvian Trade Unions that the people learned of the impending increase in prices. This was the subject being discussed on lines, in public transport and in the work places. And it would have been completely natural for them to have acquainted the delegates to the congress with their concern, as they have done up until now at congresses and meetings of various public organizations, demanding solutions from them for the problems at hand. But on the steps leading up to the building in which the trade unions were to open up their forum there stood three humble picketers who were calling for the trade unions to be granted complete freedom.

Certainly, this fact can be evaluated as follows: the people, it is said, have become wiser and are not being diverted from more important work for the sake of a

meaningless meeting. But I believe that it must serve as an alarm signal for the trade unions—in like manner as a loss during elections to the local soviets or to the republic's parliament or the results of a questionnaire, in which seven percent of those questioned expressed complete satisfaction with their protectors and 20 percent—lacked faith in them.

However, the problem of freedom was rapidly solved: by a majority vote, the congress declared itself to be the first congress of free trade unions in Latvia. True, some overzealous delegates initially wished to listen to the reports and evaluate the work of the present trade union organs and thereafter create new ones. Others wondered how it would be possible to merge into a single conglomerate those who had already developed an independent program and regulations and those who had still not come to terms with their independence. The differences which arose on the eve of the congress presented a threat, but fortunately it became possible to avoid a split. There was no point to "Voting with one's legs," although the discussion of the report by the chairman of the republic's trade union council, Andris Silinsh, was attended by representatives of "official" trade unions, a worker trade union which considered its status at enterprises to be semi-legal and "rebellious" cooperation specialists.

A. Silinsh proved that the republic's trade unions are truly free and independent of the dictates of the state, soviet, party and economic organs and also from compulsory "friendship" with other social organizations and blind subordination to "valuable" instructions by the central trade union organs.

In any case, the adoption one year ago of the new operational concept for Latvian trade unions and the turbulent processes of perestroika throughout the republic have aroused and enlivened the "slumbering" organization. It was by no means an accident that the former chairman of sovprof [trade union council], A. Silinsh, was once again elected to serve as the leader of today's free trade unions of Latvia. The delegates devoted an entire day to discussing the regulations of this union which, according to its founders, must become a voluntary organization of equal and independent trade unions, whose mutual interrelationships and relationships with the trade unions of other countries are predicated upon the principles of mutual agreement. In place of the former sovprof, which constituted the authority, the work of a union will be directed by an administration during the period between congresses. The decision was made to reject the creation of a presidium.

A discussion flared up over the method for creating the administration. Two variants were proposed: elect representatives to it proportional to the number of members in the appropriate trade union or establish an equal quota for all trade unions regardless of their size. Beyond any doubt, the adoption of the first variant would alienate small organizations. And indeed it is these organizations that are in need of support. When the congress nevertheless voted for equality for all members

of a union, I noted how the chairman of a small republic committee, who was seated alongside me, breathed a sigh of relief.

The overwhelming majority of those seated in the hall were free trade union workers and thus they were primarily concerned with their own program—reorganization of the trade union structure. But indeed the rank and file members of trade unions are presently concerned most of all over the changing of signs and the specific actions aimed at protecting the interests of workers. The congress tasked the future administration with developing a unified program of action for the union prior to 1 September. But can the workers, upon whose door unemployment, inflation and a disparity in the minimum wage compared to the living wage are knocking, afford to wait so long?

Among the general discussions held on the work of the trade unions, specific recommendations were made only by one of the few workers in attendance in the hall—electrician Yu. Verezin. He proposed the adoption of a program of "emergency" measures, including the establishment of a guaranteed minimum wage, one that would be in keeping with the living wage, and subsequently the development of a package of draft laws for the future. Did he receive any answers to his questions?

"Only partly. Surely, to a certain extent this congress represented forward progress: it was carried out on a more democratic basis and we eliminated a rigidly centralized superstructure which up until now had dictated its own conditions. But a worker is mainly concerned with his wages and social guarantees. We are aware that no improvement can be realized in the absence of radical economic changes, but we do not have a sense of protection or guarantees that we will be able to live better after several years have elapsed." I was informed by Yu. Verezin.

Here are the opinions of other participants.

Ariya Gayla, chairman of the Vauskiy Rayon Committee of the Agricultural Trade Union:

"During a recess, a maid approached me and asked: what decisions are you making there in our behalf? I could not respond, just as I could not answer this same question for our workers. The chief concern at the present time is not the problem of freedom and independence for the trade unions. This was resolved two years ago. It is my opinion that today we must express our attitude towards the increase in prices and changes in pension allowances and we must formulate the economic requirements and define the specific schedules for carrying them out. This has not happened and thus, frankly speaking, I am not sure that our trade union will become a member of this union."

Lidiya Shidneva, president of the Confederation of Trade Unions for Cooperation in Latvia:

"Our small delegation came to the congress with its platform and great hopes. But we did not hear of a specific program for independent trade unions. It will be difficult to explain to people the essence of the changes. A decision will be made by the confederation's council on whether or not it will be worthwhile entering this union. I personally view it as a partner with whom we will collaborate only on specific special programs and finance only those of them which are in our best interests. I do not believe that it is necessary to accelerate the adoption of a trade union law, which many delegates are insisting upon today. It must be examined in connection with other laws—on social organizations, employment and others."

Thus the congress came to a close and certain problems remained and no unity was achieved in the trade unions. How do the trade union leaders themselves evaluate the results of this event? I addressed this question to the chairman of the Union of Free Trade Unions of Latvia, A. Silinsh. As always, he was full of optimism:

"The union will exist. We have not created new trade unions, but rather only a new trade union organ, one which will have very specific functions instead of the former vague responsibility for absolutely everything. I believe that the administration will only single out the main trends for the application of effort and define the tactics for achieving the goals. It is considered advisable to protect the existing legal service, entrusting to it the carrying out of expertise analysis and the functions of legislative initiative."

I have repeatedly stated that the main trade union work must be carried out in the primary organizations and not by the staff. It bears mentioning that I have not been able to understand the attacks upon the sovprof's staff, which bore the operational burden rather than the "complacent and slumbering" council. Such questions as the 40-hour work week, 24-day vacations and others will be examined during the next session of the republic's Supreme Soviet. A draft law on trade unions which we proposed has already been in the Supreme Soviet for several months. Is this really enough? It bears mentioning that the sovprof proposed a draft program for trade union work, but the congress never even began discussing this document.

It was distressing to see the rapidity with which the delegates undertook to divide up the property of the trade unions and the absence at the congress of representatives of the republic's Supreme Soviet and ministers. The leaders of the Council of Ministers, Ivars Godmanis and Ilmars Bishers, were able to listen only to my report. A question arose—will such a government be able to devote serious attention to the interests of the workers?

RSFSR Independent TU Federation Calls for Price Hikes, Market Referendum

904F0191A Moscow TRUD in Russian 16 Jun 90
pp 1-2

[Interview with I.Ye. Klochkov, chairman of RSFSR federation of independent trade unions, by N. Akritov, FNPR press service: "We Need a Constructive Dialogue"]

[Text] On June 1, our newspaper reported that the RSFSR federation of independent trade unions [FNPR] rejected the concept of the shift to the regulated market economy proposed by the USSR government. Today, FNPR chairman I.Ye. Klochkov offers his comments on letters, cables and telephone calls which the federation and the newspaper received.

[Question] Igor Yevgenyevich, the FNPR statement on its rejection of the government concept raises, among other things, the question of holding negotiations, or something like a roundtable discussion, between the unions and the government. What is the meaning of this proposal?

[Klochkov] I want to quote several cables, dozens of which arrive each day: "We demand a referendum and the publication of alternative versions of the concept." "People do not understand what regulated market economy means. There is too little information on this subject. Workers want a broad popular discussion of this issue." "We urgently need a public discussion of alternative, less painful concepts of shifting to the regulated market." "While generally supporting the proposal of the country's government to shift to the regulated market economy, oblast unions express distrust and disagreement on many points of the government program." "We must once and for all reject uncertainty and silence when discussing issues that are extremely important for people's lives."

Such proposals came from Sverdlovsk, Krasnoyarsk, Volgograd, Vologda and many other cities in Russia. So, when we formulated the official FNPR response to the USSR government concept, we based it on the moods, desires and demands of our member organizations.

The ordinary worker, not schooled in economic issues, understood one thing only after the government concept was published: prices would go up.

This was why we said that we do not agree with that version of the concept and that we wanted a roundtable discussion and negotiations by the government with the unions, which represent the workers. Moreover, I think we need negotiations at all levels—union, republic, and regional—to clarify the problem from every point of view.

Why do we need this? In order to analyze thoroughly the entire machinery of market economy proposed by the government, and perhaps alternative versions as well. Not general statements and not some fragments, but the

entire package of bills, point by point. How will the market be created and what will be achieved by it? What actual conditions will the individual face? How will he be able to make ends meet in his household budget?

We must clarify all this, both for actual groups and layers of population and for different regions.

We are convinced that if such a dialogue were organized it would be great propaganda for the market, and public propaganda, as well. People must understand that we have no alternatives to the market, because we have reached the end of our rope and there is no way back, to the administrative command methods of economic management by fiat—they have outlived their usefulness. We must move forward. Nevertheless, we must know where and by what means we are moving, and what difficulties and privations lie ahead—they are unavoidable given so sharp a turn. Yet, the price the people must pay should be acceptable. Certain vulnerable groups in the population must be securely protected. Most importantly, the hope for a better life must be the light at the end of the tunnel.

We understand that negotiations at all levels are a difficult task requiring time: perhaps three or four months. But this is the only way to reach the broad masses of workers and to make clear and understandable why we need the market, what kind of market we need and how it will be introduced.

[Question] What response did you expect when you announced your emphatic disagreement and sent it to the supreme organs of power of the country and of the Russian Federation?

[Klochkov] When we appealed to the union and republic supreme soviets and informed them of the view of the trade unions—the most representative of Russia's mass organizations—we hoped for a constructive dialogue and expected that this point of view would be understood. We still have this hope.

I have already mentioned that we do not reject the market, because the people do not reject it, as far as we can see now. But people want to learn and to understand. And we need confidence in the authorities and certainty that such major, vitally important decisions would not be made behind the people's back and without its consent.

The publication of the government concept has shaken this confidence.

This is why the FNPR documents talk about the need to reassure the people. We need to say that there would be no such imposed and incomprehensible price hike, the very possibility of which disturbed the entire country, and Russia in particular. It was good that the USSR Supreme Soviet session, having perhaps listened to us, proposed different ways which we hope would not hit so unexpectedly the pockets of millions.

When we sit at the negotiating table with the government, the Russian union organization is willing not only to voice its questions and concerns about reform point by point, but to introduce constructive proposals.

[Question] Does the FNPR have concrete ideas?

[Klochkov] We have some already, and we are starting to work actively in this direction.

We think that the main goal of the Russian trade union organization lies in studying and taking into account opinions of our member organizations as thoroughly, rapidly and broadly as possible, especially as they pertain to this most important and urgent issue. Those opinions will shape our position and our proposals.

I have recently been to Vladimir and Tula oblasts. At a number of large enterprises, we spent hours after work shifts discussing issues with union activists, including workers, engineering and technical staffs and representatives of management.

What do people think of the market? They came up with many proposals that are, in my opinion, serious and reasonable.

Many think that those elements of the market which will not adversely affect household budgets must be introduced immediately.

People reason as follows: our goods market and money supply are out of balance. The shelves have emptied out completely because there is now a lot of crazy money chasing merchandise and not finding it. We could, of course, drive up prices and achieve balance.

But we could also find additional goods and valuables and offer them for sale, so that those who have money gave it voluntarily in exchange for those goods.

And we do have goods to offer that are very much in demand. Take, for instance, construction materials. We produce more cement, metal and timber than anyone else in the world. Yet, those materials are not available for sale at stable state prices. On the other hand, enormous quantities of them are spread around tens of thousands of unfinished industrial construction sites.

Why not stop the majority of these construction projects which are useless to us in our current situation anyway, and sell unused materials to the population? This could soak up billions of rubles.

Or here is another idea: why not sell some means of production or material resources to the population—that which sits idle in unsold or overproduced goods sections at enterprise warehouses?

Why not sell, say, trucks, tractors or other equipment, which several families could buy by pooling together their resources and use to the advantage of society?

We could also sell land, such as small plots of good land near large cities, to build homes or summer houses, if people so desire.

The sale of land plots, combined with free availability of construction materials in consumer trade, is a very attractive proposition. This, incidentally, is a way to create the market for housing without violating the rights of those who are on waiting lists.

All this could tie down tens of billions of rubles and pave the way for the market economy.

In our view, these proposals, which come from people everywhere, form the elements of an alternative to a mandated price increase.

The round of negotiations the FNPR is calling for will be a general popular debate on the country's shift to the market economy. We can be certain that it will produce a mass of interesting new ideas which are not currently discussed by economists, even though those economists may have various learned degrees. Incidentally, we have plans to create, with the help from the FNPR, an association of independent economists, which would bring together economists with unusual ideas differing from the official point of view.

[Question] If the government does not react to the FNPR statement, what do you plan to do?

[Klochkov] We will try once again to establish a dialogue. I think that the time is gone when the authorities did not understand the legitimate system of treating with workers through their unions. And if old approaches prevail once again, we will have to find other forms of collective action, basing them on the opinions of local union organizations. When thousands upon thousands of people state their position, it is hard to shrug it off.

[Question] Igor Yevgenyevich, the RSFSR Congress of People's Deputies is coming to a close. How do you intend to build your relations with the new Supreme Soviet and the government of sovereign Russia?

[Klochkov] We welcome Boris Nikolayevich Yeltsin's statement which he made at the press conference. He answered the question how Russia's parliament will build its relations with the FNPR. We share his point of view.

The social and political stage of every country in the civilized world has employers and their organizations on one side and workers, wage laborers and their trade unions on the other. The third force is the government, i.e., the authorities. Those actors interact and find optimal, mutually acceptable solutions. We must learn to live like this. We should not allow spontaneous explosions of pent-up anger accumulated over many years to triumph, leading to mass strikes and hence to staggering business losses.

All this is the result of the fact that we still lack normal channels to resolve problems when they arise and diffuse

social tensions. Trade unions and their interactions with the authorities and employees should become such a channel for resolving accumulated questions and for building concord and civil peace. We must live in peace, not in a state of social war. Otherwise we will not move forward on the path of social progress.

This is why I am convinced that Russia's executive and legislative powers want strong Russian trade unions and want to have constructive and businesslike relations with them, since they, just like Russia's unions, want to see Russia's supreme power sovereign and its government capable of solving Russia's problems. In short, we need one another. We must all understand this and learn new methods and new way to work together.

Donbass Miners' Strike Movement Leaders Profiled

904F0230A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 1 Aug 90 p 2

[Article by Aleksandr Afanasyev, Aleksandr Kalinin, and Viktor Kosyak: "We Are Hurling Down, Shouting Slogans and Curses..."]

[Text] In these notes, we do not name names because the characters in the article should not be confused with real people. They are largely composites and reflect both the strong and weak points of the present worker movement itself.

"I would shoot myself!" replied the leader, manager of the mine, when the strike committee members asked him with a smile what he would do if he lost the "battle" with the miners.... Was his response in jest? Was it serious? But even if it was in jest, that kind of humor is indicative of the temperatures to which passions have become inflamed in the Donbass....

This conversation occurred, so we were told, after 11 July, after the strike that flared up once again in the Donbass and in Kemerevo, in Vorkuta, and in Karaganda, supported this time in many parts of the country. Indeed, in Donetsk at present it seems to be hotter than even on 11 July. The manager-leader (he actually is a leader, he kept his job even when many of his colleagues were "thrown out" a year ago), expressing, it seems, what was not his desire alone, launched a trial balloon and tried to "tighten the screws" in his own mine for a start: the section chiefs began to make transparent hints to the strikers about the reprimands and penalties that would be forthcoming. "You began the war!" the manager said to the strike committee. "I accepted the challenge...." And now if he loses, if he is also "removed"? It was at that point that he uttered his sacramental "I will shoot myself."

So, if it is war, in war there is shooting, war has its casualties. To be sure, war is sometimes strange: as though directed against oneself, there are quite a few hunters who sacrifice themselves to the slaughter. But is it difficult to understand that the important shot fired in

Sarajevo, for instance, which in itself meant little, psychologically brought down an avalanche that had built up to the very top levels of world politics?

"Somehow in one mine the lads went on a hunger strike, which I think was nonsense," we were told by another leader, Leader D. "I went to the mine, the hunger strikers were already getting moldy, lying there as though their toes would curl up any minute. Their comrades passed in a file and consoled them—that's all right, we are with you, tomorrow we will support you, you know, by going on a hunger strike ourselves. And I said to them: Fools! I am all for solidarity you will start out fresh, but in a day or two they will be pushing up daisies!

But the main thing that Leader D. emphasized was the lack of proportion. A hunger strike is a way of achieving some one thing: removing the first secretary of the oblast committee, for example, but changing the general situation in the region or sector—with a hunger strike?! Even if all the mines died off one after the other...

The miners' lava, which gushed forth last year from the drifts—for the first time, was unable to cut its own channel for a long time (and this is true even now). Whether out of fear or desperation, we recall appeals being shouted: "The mine? Blow it up!" "The drifts—flood them!" The molten lava rushed forth, seeking its form. And we should be thankful to those who at that time did not allow that lava to take on criminal forms. Who has been able, if only falteringly, to give the miners' movement some kind of order (although, of course, it is still ever so far from civilized forms, discussing this is one of the main purposes of our notes)?

If we sum up: speaking about today's miners' movement is to speak about its leaders. The movement will reflect the leaders. Paraphrasing the well-known saying: Every strike gets the strike committees it deserves.

"...We Want To Get Off Our Knees!"

Magma is generated under the earth by objective laws. For a time, fear kept the terrible word "strike" from breaking through to the surface. They were afraid of arrests, tanks, reprisals. The stereotypes had an effect—the sinister spirit of Novochoerkassk once again has a paralytic effect.

Fear brought them up short, fear took them forward. In the end, the new fear of being overwhelmed by one's own conquered the customary fear of punishment.

And thus the suppressed mass, as if by command, gushed upward. The gene pool of future leaders had its effect in that seething broth. The square was waiting for those who had matured to the level of being noticed and pushed from behind. Later, they referred to those desperate lads as kings for a day.

It was other people who would write the package of demands by the light of miners' lamps. And then the mood, though general, was troubled: "We do not want to be cattle!"

A. was already a leader in the mine. It was he who stated the demands of the miners for the First USSR Congress of People's Deputies. They mainly concerned vacation, days off, wages, and pensions. He also set forth the same demands in the city square on the 2d day of the strike, when the authorities finally brought microphones to the square. They told Leader A.: "So now you be chairman!" But he did not understand what being a chairman meant. Even he was frightened, since no one was able to predict how events would develop after that.

They, these newly elected leaders, were hostages: to the square and to the authorities, who had departed into the shadows. It turned out, for example, that it is more difficult to clear the document with the government than with the square. They struggled with the text all night. Just like the coal seam, they tested the strength of every word, in the morning they went out to the people—and it did not pass! They went back, began to make finishing touches, they again went out into the square—and it passed. And then the next morning they again declared the document inoperative.

And how did they see them off to Moscow—once the document had been approved? Some shouted: They will arrest them there! Others: They will fall under the influence of the government! They let them go, but just to be on the safe side, they sent along several husky lads who had served in Afghanistan.

Leader A. sobbed: He had it in his hands, the desired agreement, signed by the leaders of the state by their own hand. They carried Leader A. to his car. A few minutes later he croaked, having lost his voice back in the first days of the strike, the historic sentence: "Brother miners, we have won!"

A few months later that same square would not allow Leader A. to the microphone, they drove him from the speaker's stand with shouts and hootings.

A. would consider this a ridiculous accident, the result of intrigues. "They simply were envious that I received two invitations to America!" "He himself is a tragic accident of the workers' movement," other leaders, who had taken his place, said of him.

But there is nothing more unaccidental than a string of accidents. Let us take a look. It was the square that made A. a leader—why? Above all because he acted without inhibitions. And also—he had some kind of program, when simply no one else had one. At least A.'s program at that particular moment was more comprehensible to the square and suited it, as did his incendiary words. And his wheezing "Brother miners!" At that instant, the interests of the square and of A. coincided. A random coincidence? But it is precisely accidents—now one,

tomorrow another—that make it possible for A., B., C....to become the spokesmen of the squares for a certain time.

Suppose we take the notions which a particular leader has about being a leader—are they accidental? Power has changed hands, and this means: Now it is no longer the hateful bureaucrat, but he, the simple worker, promoted by the square itself, who must rest in the boarding homes, head the delegation, and act as representative in presidiums. Seizing power means seizing its attributes as well: the offices, the telephones, the cars, the special switchboard, the speaker's platform, and the microphone.

He, and indeed many of us (we admit it) simply have no other ideas.

Leader A. represented, it seemed, the interests of the square that promoted him at the same time that the square itself, like lava, went away, fled, slipped away—and was at that moment already in that instant living with other ideas that had been cast into the crowd by leaders: B., C., D., E....

After A. came others—heroes, philosophers, strategists, pragmatists, leaders who were battering rams, Prometheuses, leaders who had been fattened by the bureaucracy, Stalinist radicals....

Leader A. felt himself to be Ivanushka the Fool on the imperial throne. But afterward another leader was merciless in speaking precisely of him: "He was the very model of the fool." He paused and then added with a smile: "But in the first stage even such people were necessary."

"Where Will It All End?..."

The heads of the leaders out of favor flew like early chestnuts. There were no inaccessible bastions. In an instant the superfluous administrative structures were eliminated.

The shortage was distributed only in the workers' council, the locks were removed from the secret boarding homes and weekend cottages, the testimony of the workers' controller horrified the miners. Step by step worker power conquered the heights abandoned by the opponent.

And step by step...it moved into a blind alley.

By autumn it began to be clear—something wrong was happening. Now here, now there, scandals broke out around the democratically elected trade union leaders. This one set up an office, surpassing his predecessor; this one seized an overseas factory for himself and his household.

They did not issue a certificate to strike participants entitling them to privileges, but little by little it did come to be used as a kind of title.

They did come to their senses. But the backlash was already under way. They did not forgive the worker-leaders for taking power. Accusations hailed down on their inexperienced heads. They were accused of knocking the system of administration of industry out of adjustment, and as a consequence the income had dropped for those same rank-and-file workers. They were accused of personal faults, unfortunate things they said, of destructiveness, of the psychology of the political meeting....

After last year's strike, it seemed to Leader C.: Fine, that was enough, it would just take another three days, at the most a week, and everything would be back to normal. But nothing changed, and gradually he, or more accurately, all the members of the city strike committee, turned out to be under dual pressure. From below, they were demanding changes, and one could understand the lower levels: We put you at the head of the column, so lead! Do not mark time! It was not working out! They were in the way—call a strike.

So you respond with a strike, by calling a strike.

And from above, from the city committee, from Moscow, they were saying: And what can we do? And one could also easily understand the upper levels. It was possible in an hour's time to take a sausage from someone else, to wangle away an additional car of timber for the mine, but it was impossible and unthinkable to supply everything to everyone all at once.

And the changes were needed here and now, where at that particular moment the miners were lying on the square and impatiently banging on the pavement with their hard hats.

From below, they were urging, from above they were not yielding. There had to be a move in order not to get squeezed.... Both politicians and adventurers are forged under such conditions. There were also rejects in the forging process: those who lost their way, those who came to a stop, those who wavered.

C. and his comrades first tried to create an alliance of the city's workers. But either there was a shortage of organizational abilities or the rest of the workers preferred to remain aloof—they talked drivelly during the entire founding assembly.

And in advance of the elections to the city soviet their candidates were accused of abuses, and while they angrily tried to justify themselves, to explain that it was all lies and slander, the train left the station. They were still trying to close the stop valve. On the eve of the First Miners Congress, they declared that they did not support the idea of calling it, that the need for it had not yet matured, decisions had not been worked out, the preparations needed a few more months, that this congress was not so necessary to the miners as to the leaders, who were building their portfolios in the future trade union. Perhaps in part that was even the case. But they stopped. And the avalanche bypassed them—and their arguments

had not yet been heard. They had acted clumsily, not intelligently—in black-and-white terms: As soon as they did not lend their support, that meant that they were in bed with the bureaucracy. Turncoats! They were being bribed by the other side!

The locomotive gained speed, but it no longer responded to the steering. C. and his comrades decided it was time to jump off! They came out against—against a political strike in support of the decisions of the First Miners Congress, against the demands for resignation of the government—and they naturally advanced the thesis even of eliminating the strike committees. "Our functions have been exhausted in that Decree No 608 has been carried out, all the rest of it was imposed on us by certain forces on the outside. They have also been imposing a policy on us, and this is adventurism, since we still are not ready for it." That was and is the truth. But people did not believe those who had stopped, much less those who had jumped off while the train was moving. The result? In the rally, which nevertheless was held on 11 July in the city square, they only heard the decision removing them.

"And what can I do?" the former Leader C. argued. "At that rally, when they elected me, I was a leader. At this one, I was a political corpse. People only listen to what they want to hear."

A similar story developed differently with another leader—this was in a different mining city. We will call him Leader N. A spontaneous rally took place in the mine because of the many miners who had been poisoned. The rally, which had first flared up on the grounds of the mine, suddenly seized upon the idea which someone had suggested: Let us go to the gorkom! N. realized that this was an absurdity—to walk several kilometers in the heat to the center of the city, which only agitated people still more and heated up the situation. His understanding was this: It made no difference where the rally was held, what was important was not the place, but the mechanism that would focus the will of the masses and translate it into the plane of practical decisions! He attempted to explain this, but they did not understand him. He felt that in another instant they would list him among the traitors, the turncoats, those who had sold out—and that he would lose influence over the people once and for all. That is, he would be dead as a leader. "Fine," he said, "let us go to the gorkom!" He went out on the road and set off. The rest set off behind him. "Why?" he was asked later. "The people elected me," N. replied, "and if a majority of them felt that we should do it this way, and I feel differently, but have been unable to convince them that I am right, I must go with the majority. But later we will figure out who was right!" As a consequence of the voluntary departure from the political scene of Leader C. and his team, Leader K. sprang like a shot into the abandoned cab of the empty locomotive. He wanted from the very outset to be a leader, a dictator, to subordinate the movement to his will. The members of the strike committee did not agree with this. So at that point he withdrew for awhile. He

took the position of chairman of the workers' council, got himself an office in a prestigious building in the center of the city, a desk and armchair—and he set about sharing out the shortages.

Leader K. knew beyond question that C.'s days were numbered. But he also knew that there was no mechanism for reelection of new members to the strike committee. So he took the initiative in his own hands. That is not hard to do. It is enough to go to the microphone at the rally. He knew: Angry and—this is very important—just words of reproach addressed to the previous strike committee, which had been marking time, would unfailingly meet with the approval of the square. Then they would just as readily approve his nomination of a new strike committee. And he nominated six people whom he knew personally, whom he would vouch for. And on the wave of approval he nominated himself as the seventh.

"But how could they fail to understand that he is the wrong man!" Leader C. said later in amazement; now he was an ex-leader, observing the happenings from the side, literally from around the corner, "he's practically got horns growing out of his forehead!"

But the square shouted: "Right!" It readily coronated K. with its blessing.

Yes, it is a strange phenomenon, the square. Back in February it would not let anyone say a word against the president, and in July it itself was reviling him. A year ago it resolutely removed the managers of the mines—only to return them to their previous positions a few days later. It seemed to be ready to adopt almost any resolution prepared by the organizers of the rally, and capable in the next instance of removing the organizers themselves in the heat of the moment. And although they say that the passions of the rally are determining policy—the rally is nevertheless capable of burying any politician.

Who is dependent upon whom? Who is following whom? Is the square following the leaders or the leaders following the square?

When he found himself in the cab of the speeding locomotive, Leader K. would hardly try to put on the brakes, understanding that if the brakes were put on suddenly, he might end up under the wheels. By nature a radical, he was ready to steer this group against anyone he wished: the CPSU, the "Democratic Platform," and the Presidential Council.

Leaders like K. suggest to the crowd: "Why in the years of the stagnation were we receiving everything: timber and complexes, and now there is nothing, and no one to take the blame? Will they be sent abroad, while we have none? Our work is just as good as it was, but we are not living as well, are we? Who do we need? We need Andropov! We need to straighten out things in the country. You have not been able to cope, you have not done what you promised—you should be exiled to Solovetsk. Better still—shot! Why? As a lesson to others,

as a warning. To keep others from trying it." In the neighboring city, when they learned that K. had replaced C., they gasped:

"But K. is a Stalinist?!"

So that is the kind of radical Leader K. is. They had seen that kind of leader before: the Stalinist radical....

"We Are Demanding, We Are Demanding...But Where Is It To Come From...?"

Leader E., handsome and intelligent, a strong person (perhaps that is why the television people took such a liking to him?). He, a man of action, has now become a philosopher, like it or not. Listen to him, and you can see the drawn-out history of that same Decree No 608 in a different light. Here is how Leader E. tells it. At the local level, they were told: Look, lads, if you do not believe us, go to Moscow, clear the way yourselves. And so they went. And while they were kicking open the doors of the Kremlin—what happened? They slept through the elections. Or: Now they are distressed—here, and in Kiev, and also in the Kremlin—there are few workers in the elective bodies. Which workers? And why must it always be a worker who must defend the interests of the workers in the parliament? That same timber support worker whose ability in this life is to take a log and pass it on? Or the one who yelled louder in the square? What do you get—power without intelligence or knowledge? If that happens, says Leader E., I will be first to put my head in the noose. And now they raised a cry on all sides: Let's change the government! Change it how? With whom? Replace Shchadov with Fisun, Ryzhkov with Pavlov? The mechanism for resignation has not been worked out, and the Supreme Soviet, which is now well-fed, will in E.'s opinion elect a government from among its own ranks. The same kind of people from its own ranks. And while they are handing out ministries there, we here will be turning up our toes—croaking, poisoned by the chemical plants....

No, E. feels, first the people, in the mass, must mature, people must learn to make decisions on their own, and then stand behind them. Without that, it is not possible to go into politics, to stand for election, to fight for power. An independent trade union? Yes, that is a good tool. With it, one can not only defend the interests of the class, but also monitor society's development—the democratization of the elections themselves. But it is a risky business to get involved in politics without intelligence. There are many of them, supervisory workers, who throw out ideas of various kinds. There are such people on the strike committees: They appear not to be leading, they stand in the shadows, but it is clear that they are not workers, nor will they ever be workers, because they are on the wane, but they write pieces of paper, and with those pieces of paper they are making it hot for us....

They say of Leader E.: He is the one who crowned Gorbachev as president. Yes, that is how it was: The leader of the miners and the country's leader pledged

support to one another.... But there are also other impressions. Leader E. recalls it bitterly: In his desire to do everything at once, to clear up everything to the last detail, he got through to the president, he met him twice. The conversation was sharp-edged, direct, no beating about the bush, which is why all of it never got into the official reports. But.... Nothing had become clear even after it.

E., leader of the miners, understood that the leader of the country also depended on those around him. The point did not lie, of course, in the lines of the published report that were crossed out. Nor the minister, and the fact that he attended their conversation. Nor even those lads who entered the office along with the miners (were they supposed to be miners?) and at the most critical points, when a specific answer was demanded to a specific question, they skillfully, with rejoinders, "with agitation in the room," led the conversation in another direction. No, Leader E. understood that the quality of our life depends not only on the quality of the leaders (although it also depends on that!), but also on the quality of the society as a whole. And it is now from those positions that he has come to look upon everything that has happened in the worker movement.

Leader E. has represented the present day with this metaphor. Imagine, he suggested, a mine shaft 1 km deep. And here we are, having fallen out of the elevator cage of civilization, flying through the air all these years. Only recently have we realized that this was not a flight into a bright future, but a free fall. And so we are falling free, having acquired yet another freedom—the freedom to shout slogans and curses....

A debatable picture? Pessimistic? It would seem so. But there is also much truth in it. It is Leader E.'s strength (incidentally, he is a miner with higher education) that he himself has seen it very clearly: The mark from which the social and political struggle of the miners began was so low, that it had extremely little chance of success. Then, for instance, there are the Belgian miners, whose experience is arousing great interest in Donetsk; there the general level, both economic and intellectual, is such that a dynamic equilibrium was created. The employers have something to give the miners in response to their demand. And the miners also have a certain level of what they have achieved—they are not near the poverty line, to put it mildly. And there are also trade unions—not the transmission belt for the state as in our country. But rather a buffer between the workers, the employers, and the government.

The trade unions, the working class movement as a whole there—is an engine for social progress. This is that very trade unionism that we have cursed so many times. These are those "opportunists," those "traitors to the working class," who have so cleverly been betraying their class for decades that in rising up, step by step, squeezing the flexible spring of the force of capital, have won for the proletariat a quality of life that is unattainable from our level.... But this is when the trade union is a spring,

not a transmission belt, and when the worker movement is an engine for progress, not a battering ram for tearing down civilization—as has been the case in our history....

Leader E. is a realist. He says with bitterness: Gentlemen, nothing is easier than to give the timber support workers their day in the square, nothing is easier than to lie down and bang our hard hats on the pavement.

"We demand it! We demand it!"

We are demanding. But where is it to be taken from? And something else, if, say, in the Kuzbass there is a bit more coal, and the coal is closer to the surface, then in the Donbass, if they figure things out, many mines would have to be closed because they were unpromising. The paradox is that the best result of the struggle of the miners could be the closing down of the mines, reconfiguration and retraining of people in other occupations the region needs. Paradox number two: The miners (some of them deliberately, some of them only copying others) are by definition performing someone else's function in demanding the introduction of free market relations, and that means also working toward both the closing down of the mines and...losses of work—whereas it is not the workers at all that should thirst for the market, but the employers, the owners, those who possess capital (if we had any, of course). Paradox number three: By expressing themselves in the old terms, the working class, which at one time made itself the gravedigger of capital, will be compelled today, on behalf of the rebirth of a full-fledged society, to become a gravedigger in other cases...of itself—after all, structural perestroika, the introduction of other occupations (requiring a different and frequently engineering level) would signify denial of the class unified with respect to the features of physical labor. Paradox number four: What yesterday was considered "revolutionary," today is essentially reactionary, what was "reactionary" yesterday is today, it turns out, quite often what brings renewal.

Let us think about it: Is it revolutionary or reactionary when the French steelworkers militate for preservation of enterprises that have outlived their time on behalf of preserving only their own interests (not to mention our own example—nowhere in the world do they produce as much pig iron as we do, not because we have gotten ahead of the world, but because the world has taken a very different path—replacing metal with plastics)? Is it reactionary or revolutionary when the Swedish steelworkers, persuaded by the trade unions, change occupations and, with no loss to the quality of their lives, equip themselves not only for technical progress, but also for the forward movement of society as a whole?

And Paradox number five: Everything that has been said here, winnowed from conversations with Leader E., is for us unreal or almost unreal, until all the components of the future mechanism takes shape—from the new

property relations to the coming of age and birth of authentically independent trade unions.... And that will take time and energy.

"They Can Use Us Like a Throw-Away Syringe..."

He is quick, decisive, even-tempered, forceful. He has higher education. Rarely in the center, more frequently off somewhere to the side, in a corner, in the shadows—but always on the alert. As soon as a beat is missed, he takes the initiative into his own hands, he straightens out things, he gives them direction, and again moves into the shadows. They count on him. They are afraid of him, they hate him, they are suspicious of him, they have misgivings about him. And they are always expecting something, be it good or bad. And it seems they all respect him. This is Leader S. The brains of the movement. He knows how to write the scenario and direct the action. At some points, he himself is an actor. He might be called the movement's process engineer or mechanical engineer. At times, it seems that he is the puppeteer.

What is the main thing that distinguishes him from Leader E. and indeed the other leaders? He is a pragmatist, he knows precisely what he needs. "Be a trade unionist? No, thank you very much. They are interested in getting soap, apartments, ration coupons for sugar. It does not matter if they hang themselves at once...." In general, Leader S. and Leader E. are almost two opposites, although they are similarly intelligent, farsighted, they respect one another and each pays attention to what the other one says. "We cannot wait until the masses mature enough to be able to make independent decisions, there is no time. That is why everything has to be done immediately. And if people are constantly told that they are sheep, then sheep is what they will remain!" That applies to the role of the leader. The same thing also applies to economic and political priorities: "Why has there been a rapid politicization of the worker movement? Because in our country the owner is the state, and people quickly came to understand that no economic transformations at all are possible unless the political system is changed. Unless it is changed, unless the guiding role is taken away from the CPSU, unless the old government is removed. But it makes no sense to bring in a new government in the one-party system. Our political strike is aimed not against Gorbachev, but in favor of him, against the rightwingers. They have to have their tail between their legs, and understand once and for all that that is an illusion, assuming that they have the power. And I feel that we have achieved what we wanted—we have made a change in Gorbachev's allies. That is the strategy. The tactics is a backlash on the CPSU and resignation of the government...."

Leader S. is not some particular person, but a type.

His features are a kind of rare political savvy, a certain mocking attitude about his fellow warriors that creeps in at times—with which many leaders are imbued. He can be quite wrong at times, which sometimes causes his fellow fighters to be suspicious ("Now why does he twist

everything, what does he want?"). He knows who and what to begin with ("At the beginning, leaders are needed with craniocerebral injuries, they fire up the people, they get them out into the square, and after that they are unnecessary,"). He pulls the strings ("In a neighboring strike committee, we carried out a palace revolution, and by accident the new strike committee came to be headed by the wrong man; in principle, I am against exporting revolution, but we had to carry out a landing operation there, we had to forego our principles,"). He can even imitate a risk of life and death ("I went on the hunger strike, but what was that for me: I had previously gone through medical starvation: It was worse for the lads, they had no experience at all,").

Derisive? Quick-witted? Cunning? Is that so bad?

The trouble is not that the worker movement consists only of soldiers and generals. There are neither junior officers nor noncommissioned officers. That is, the ligaments are missing. And where that army goes depends on who is given the general's stripes at that particular moment. The soldier is not required to think. What is more, he frequently refuses to think: They have promoted you, so you do the thinking, and it is up to us to fill our lungs, goggle our eyes, and shout! But the generals have nothing except the "stripes": neither titles nor political credentials, and sometimes their eyes are blinded. They grasp for ideas without always understanding who has proposed them and why.

Leader E., for example, had some natural questions. As a matter of fact, why did the strike begin without hindrance? Previously, when a team of miners refused to go down to the face, the lads "from there" quickly gave them a brainwashing. They would summon them to the surface, he would wash up—and they would have a talk. And then you would think they were going to grandmother's. But this time the "boys" seemed for once to have gone on vacation. Did they oversleep? Hardly. When he, Leader E., received the foreign correspondents in his office at the strike committee, one "boy" called up at once: "What are you up to over there?" even though he had not been present during the conversation. And then, the first night, by someone's order the buses were late getting to the mines, microphones had been set up in the square—roll around, kiddies, let off steam! And were the kiddies glad? They lay down on the square and began to pound with their hard hats as if to say, this is the way we are!

It would be wrong, of course, to blame the people for this. Often at the local mines the work consists of primitive manual labor. It is well-known that that kind of work is not conducive to development of the intellect. Which is why they tried to conduct the present political strike here without shutting down the mines. It is not just the grave economic situation that was the reason for that. If you put just one shift in the square, they would all lie down. And there is no guarantee that you could get them up a day later.

Can they be used like a throw-away syringe? Of course, they can. Here, the only formula is for the movement's potential to grow from within.

"I Do Not Know About the Others, But I Am Mortal..."

After the note on 11 July, Leader B. became aware of something and said: "I am mortal." He did not reproach anyone, he himself had chosen that road, on his own he had taken on precisely that role. He was beset with fear. For himself? That stage seemed to have been passed already. For those who were coming behind. With the momentum of what had happened it is as though he ran and found himself in the car behind a locomotive rushing forward at a crazy speed. And he was the first to see the wall ahead. The one who could have slammed on the brakes did not do it: He did not see the road. He was preoccupied with speed and was not interested in anything else. How stupid—to put your trust in speed when the roads here are like they are...? He is beset with fear of a collision. He understands that beyond this there is a line beyond which the price of human life could drop and a new sinister escalation could begin.

B. has sincere regrets: Beginning with July of last year, they have not been concerned with the right things. The strike committees have siphoned off their principal energies into the renewed workers' councils. And what happened? They wanted to create a buffer between the workers and the employer, but what they got was a heavy ingot rocking in time with the system. The system, it turned out, has a magical property: It turns every innovation into a likeness of itself. And in the end it devours it, swallows it up.

And there is more. Leaders like Leader A. are people without inhibitions. Without inhibitions means that they simply do not see the obstacles. Leaders like Leader B. are battering rams. The first are in flight, screaming, driving people to the square. And they burn up like 1-day butterflies. The others see the obstacles, they are created for obstacles. To penetrate them.

And when it is no longer necessary to penetrate them? When everything is becoming clearer and clearer: it is possible to get through the wall that yesterday seemed inaccessible and to tumble out on the other side. Into emptiness. Into chaos. At this point, there is an acute need for leaders of a different type: with awareness and ability—no, not to tear down, not to blow up, not to break through. But to grow: lucidity in the mass consciousness, political sophistication, the ability to think and act not only on the scale and according to the interests of the mine or the branch, but even the region, the republic, and the country.... It does not seem to be such a rare ability: But there is a danger here, there is a fine line—such a leader can always be suspected of having been turned, having sold out, of being a traitor, a turncoat.

Leader B. considers himself mortal. Of course, when something happens—he is a visible figure—when they tighten the screws (read: heads) they start with him....

But we have something else in mind. One man threatens to shoot himself, a second considers himself mortal, a third goes on a hunger strike until he all but croaks. Is this normal?

The lava of the movement is the oatmeal in the head. This is not something for which blame is to be placed, but a misfortune. A misfortune as an objective state. You look and listen: The oatmeal is cooked from fragments of trade unionism, Marxism, Trotskyism, Stalinism.... The movement has not yet worked out its own criteria, its own "bad," and its own "good." Is the politicization of the movement good or bad? Is it good or bad to be limited only to economic demands?

In the world at large: bad in one place, good in another.

It is necessary and possible to rise to the level of world experience. But in what other country is there such a force as the CPSU except ours? In what country is there such a strong and naive belief in leveling justice? The world experience of the worker movement must not be taken out of context: That experience is nothing without the experience of organizing production through capital, without the experience of parliamentarianism, and so on. They speak of Poland. Yes. Similar. But look at the differences! First, the broad popular masses had long ago torn away the administrative-command machine in their mines so that it was shaky and crumbling in reality; second, a powerful worker and trade union movement had sprung up long before that; third, it had nurtured such major leaders as Walensa; fourth, that major leader, who now is trying to perform the function of the savior of the nation, is coming up against a wall which we still have not even spotted, on the one hand the low quality of domestic productive forces, and on the other—the utter absence of domestic capital—with which to carry out denationalization, that is, what yesterday seemed to require only a public announcement, and it would automatically be done.

They have come to that wall which we do not see. They have a chance of getting over it. At best—faster than us. At worst—by contrast with us.

"And There You See a Monument to the Strike..."

All in all, nothing terrible happened on 11 July. The fright was groundless. The rallies were successful in some places and some places not. Did the energy go off in steam? Was steam let off? And is that all?

"We are satisfied," they told us in the strike committees. "The test of strength showed that our influence is great. You saw that the entire country supported us!"

Whether it was the entire country or not, the support was authentic. So what comes after that?

It was good at first, when something simple unified people, like a baby's first cry: "Enough! We do not want to be cattle, we do not want it..." But now?

In principle, as an idea, the worker movement must sooner or later take on the civilized forms of an independent trade union movement. The need is there—many people are aware of it: the time has come. But the paradox is that possibilities are also necessary to needs. And attempts have been made: The old structures seem to be eating up the new ones; the old relations are being reproduced in the new structures, before you turn around the new trade union bosses are looking to the old system for their rations.... A pause, a break, an abyss—will it manage to leap over it?

In time, it will manage to create authentically independent trade unions, it will manage to lay the foundations of ownership—and then the worker movement can become an engine for progress. There is also another likely road. When the worker movement in someone's hand becomes a battering ram, a weapon of destruction—and nothing more. To be sure, it is capable of destroying the entire world of violence, but alternately with violence in the chest, in fragments, civilization and culture also fall, the economic and social foundations of society are coming down.

Which version will we choose? Or more accurately: Which version will choose us?

...Returning from the Donbass, we (as it happened) passed a new Pioneer Center in one city. This is one of the main achievements of the strikers—this previously was a Political Education Center.

"And this is a monument to the strike!" they told us. A monument to the strike? Rich associations sprang up almost uncontrollably.

What is this if we look back from the future: A stately reminder of the beginning of the new era? A disturbing mark on the threshold of the times of destruction? A memorial of glorious deeds? A memorial to fallen hopes?

Our car turned toward the coal. The monument disappeared behind us. We did not know the answer. Nor could we have known it.

MOTOR VEHICLES, HIGHWAYS

Open Letter to Ryzhkov by Auto Plant Directors on Industry Problems

904H0292A Moscow PRAVDA in Russian 25 Aug 90
Second Edition p 2

[Open Letter to USSR USSR Council of Ministers Chairman N.I. Ryzhkov signed by Auto Plant Director V. Kadannikov, et al.: "To Alter the Ministry's Functions"]

[Text] Esteemed Nikolay Ivanovich! We, the managers of automobile and agricultural machine building enterprises uniting approximately three million workers and over 2,000 enterprises, express our alarm over the current economic situation in the country. Our enterprises are in pre-crisis status in light of imbalanced supply, the violation of production ties of many years' duration, the decline in the level of contractual discipline and personnel problems.

The instability of the situation is exacerbated by laws and decrees under preparation and partially adopted which do not take into consideration the actual work conditions of the mass machine building enterprises. The branch enterprises are subordinate to a rigid pace of assembly: Over one hour, 420 automobiles, 120 tractors are manufactured, about R2 million worth of agricultural equipment, and 200,000 bearings. All production is permeated by the deepest cooperative ties, and up to 300 enterprises of various branches and regions of the country work simultaneously to keep alive a single conveyor system.

Today, attempts are being undertaken to pull apart the enterprises of agricultural and automobile machine building in republic and regional subordination, which is leading to the severance of the existing cooperative ties and the impossibility of the enterprises' normal operations.

The methods, and at times even the principles invested in the document on price formation, taxation, insurance, and hard currency coefficients, without resolving the problem of the transition to a market on the whole, are not stimulating an increase in labor productivity and the struggle for the export market, and are making many enterprises hopelessly unprofitable. Even VAZ [Volga Automobile Plant], which exports up to 40 percent of its production, will have losses of R1.4 billion for 1991.

In the formation of the state requirement of the market of 1991, a tendency toward an imbalance of resources and a lack of priorities for agricultural machine building is observed.

In our opinion, during the period of the transition of the country's national economy to conditions of a regulated market economy and new forms of property, as well as for the purpose of the most rapid possible saturation with agricultural tractor and automobile technology of

the agro-industrial complex and the country's economy as a whole, it is necessary to:

- involve economists of the leading industrial enterprises of the branch in the work during the preparation of the documents of the Government's new economic program;
- precisely determine the state requirement and the people's interests in the production turned out by the branch, and not permit the imbalance in material resources permitted in 1990, having ensured the priority supply of agricultural machine building;
- preserve for the transition period the Ministry of Automobile and Agricultural Machine Building as a coordinating union organ. Undoubtedly, the ministry must principally alter its functions under the new conditions of management. Preference must be shown to strategic issues of the development of trends, the analysis of market forecasts and volumes, the formation of resources and funds on a voluntary basis, the development of a general scientific policy, the introduction of enterprises under conditions of a market economy, the defense of state interests, and the regulation of mutual relations with regions.

At the same time, until the formation of a stable system of wholesale trade and under the conditions of the most acute shortage of practically all types of material-technological resources, it would be considered advisable to reserve to the ministry the function of material-technological supply, and the regulation of cooperation and of interbranch ties.

In our opinion, enterprises' preparation for work under market conditions must be conducted according to a carefully developed program under the guidance of a single center, whose role can only be played by the ministry. As the problems of the transition period are resolved and the forms of property are changed, the ministry must turn into a stockholder form of board.

We emphasize in particular our readiness to participate on a voluntary basis in the formation of centralized funds for resolving commons problems.

[Signed]

General directors: V. Kadannikov for "AvtoVAZ"; L. Loginov, Krasnoyarsk combine harvester PO [production association]; V. Kolomnikov, "Moskvich"; V. Yanitskiy, AP [expansion unknown] "Gidravlika"; V. Kolyada, "Kharkov 'Serp i molot' motor plant" PO; V. Biblik, "Kharkov tractor plant" PO; G. Urbantsev, "Avtoelektroprigor" GPO [state production association]; Ye. Brakov, "ZIL" PO; N. Zagorskiy, "Lipetsk tractor plant" PO; M. Zarembo, Kharkov tractor auto chassis plant; A. Derfler, "Altay tractor plant" PO; V. Zakharov, "AvtoKRAZ" PO; N. Bulzhenko, "Ukrzhivmash" GPO; S. Drozd, "Gom-selmash" PO; R. Karachurin, "YelAZ" PO; V. Kalikin, "Avtodvigatel" PO; B. Vidyayev, "GAZ" PO; Yu. Isayev, "AvtoUAZ" PO; N. Lozhchenko, "Chelyabinsk tractor

plant" PO; Yu. Gorozhaninov, "UralAZ" PO; I. Kuleshov, "Minsk tractor plant" PO; G. Shvedov, "Zhivmash" GPO; R. Radzhabov, "Mashkhlopok" GPO; S. Kravchun, "AvtoZAZ" PO; M. Livinenko, KIZ; A. Malygin, "Metiz" PO; V. Gutnik, Kirovograd "Krasnaya Zvezda" PO for sowing equipment; L. Folts, "Radiator" PO; Kh. Mingazov, "Cheboksary industrial tractor plant" PO; A. Khortenko, "Kherson combine harvester plant" PO; V. Vlasov, "Pavlodar tractor plant" PO; L. Sokolov, "Dizelapparaty" PO; K. Budko, "Volgograd tractor plant" PO; D. Kakovkin, "Stankomekhprom" NPA.

Visit to CPSU CC Motor Pool, Driver Training Center Highlighted

904H0292B Moscow KOMSOMOLSKAYA PRAVDA
in Russian 16 Aug 90 p 4

[Article by S. Pluzhnikov: "The Special-Purpose Garage"]

[Text] Speeding along in his "Zhiguli," the former pilot, instead of hitting the brakes, pulled at the steering wheel like at airplane controls, and crashed into the barrier. Maybe this is a story somebody dreamt up. Yet in actuality, our drivers frequently are not handling themselves and the car in emergency situations. And the statistics testify that since the early 80s, those sitting behind the wheel have become the guilty parties in street accidents more frequently than have pedestrians. How is that?

It is possible to turn any chauffeur into an advanced professional by teaching him to handle the car in emergency situations

I found a person knowledgeable in this field with difficulty, calling him right in his car. In addition to being a driver of the CPSU Central Committee motor pool, Vyacheslav Pylov is the Moscow Autocross champion, a training instructor.

"Go out for a spin on our flats?" he offered as we met. I agreed. Passing the militarized guard, for which the three letters of our "Volga" plates served as a pass, we drove out on to the test course.

Without warning, Vyacheslav stomped on the gas pedal. The speedometer needle shot off to the right, its tip edging the "130" figure. We sped along, sharply careening through the turns, sometimes swinging around, and jumping high over the bumps. I had only gone that fast in an airplane, and so I thought, now we'll take off just like that pilot.

But there was already a gray concrete wall coming at us. And not for the first time, but seemingly for the last time, I cursed my journalistic fate. The "Volga" stopped dead without quite hitting the concrete...

After giving me a moment to come out of it, Pylov suggested that I get in the driver's seat. For the first time in my life! In a car like that? Oh, well, take a chance.

I started driving the "Volga," repeating Vyacheslav's movements exactly, and to my surprise, it went up the test course "mountain road" playfully. Turning the wheel like a madman, I completely forgot about the speedometer and shifting gears. The glare of headlights suddenly hit my eyes. Pylov painfully jerked my elbow. The oncoming carrier rushed by with a roar, signalling in a panic. And we rolled off onto the shoulder.

Later, we drank tea from a thermos and talked for a long time on the usefulness of emergency driver training. It came out that the five-day course, consisting of 21 exercises, increases driver skills by 22 percent. In 90 minutes of lessons, a capable driver will learn to turn the wheel twice as fast as he used to. And this is vitally important when threatened with a collision on the road. Thanks to the emergency course, the number of accidents in the motor pool is practically zero.

I learned from various sources that emergency driver training was first taken up here in our country in the 50s by the drivers of the special-purpose garage (GON). That is, those who were responsible for driving our leaders and those of foreign governments. I recently managed to view a declassified training film in which the virtuosos from GON literally made their armor: 3 ZILs dance on ice, and did wonders at insane speeds.

Incidentally, this says something about the cars' dependability. Each part of these bullet-proof limousines is numbered. Why? So that it's easier to find and punish the worker who caused the defect in case it breaks down.

At GON just 20 years ago, they started using hypnotism and extrasensory seances for drivers embarking on particularly responsible trips...

Over several decades, the guys from the former 9th Administration, renamed the KGB guard service, took up emergency driver training with some intensity. True, bodyguards also learn to evade pursuit, to hit ditches with their bumpers, to exchange fire at high speed... But at the basis of the training is a single principle—emergency situations.

Quite recently, GAI [state auto inspection] drivers, who escort diplomatic processions around Moscow, have taken it upon themselves to master this method.

But what about mere mortal drivers? It is known that the emergency course was taken by the bus drivers who transported foreign tourists during the 1980 Olympiad. There are no more recent examples.

There remains over this school a veil of secrecy and elitism, even though (fully accessible) practical guidebooks written by Doctor of technical sciences Viktor Ivanov, a former GON test driver, were published some time ago. And the cost of the emergency training is not high. In order for ordinary taxi fleets or driving schools to do it, they need only have an asphalt surface of 150 square meters, and of course, the desire. And that is what is lacking.

"It's to our advantage here to train drivers badly," shrugged Gennadiy Sychev, senior inspector of the Moscow GAI Administration. "A poorly-trained private car owner is forced to pay extra for extra training. In addition, the driving school instructors have no responsibility for the qualifications of their trainees, and so they don't look for more effective training methods. And the taxi fleet and other motor company managements are more concerned with fulfilling the financial plan than with the lives of their employees, their passengers..."

Emergency driver training is hardly a panacea against all highway tragedies. But in the United States, where it is fairly widespread, on an annual basis, about 50,000 people die under the wheels of 190 million cars. Today, we have 40 million cars. But year in, year out, we lose over 55,000 on the roads. And if there exists the chance of lowering this sad index by even one life, then it is necessary to take it

KamAZ Plant's New Economic Program Examined

904H0287A Moscow *EKONOMIKA I ZHIZN*
in Russian No 32, Aug 90 pp 4-5

[Article by *EKONOMIKA I ZHIZN* special correspondents P. Korotkov and V. Ulyanov: "The 'KamAZ': The Path Toward a Joint-Stock Company"]

[Text] *In N. I. Ryzhkov's report at the joint session of the Presidential Council and the Council of the Federation, he stated that the government plans to prepare and adopt decisions in July and August on changing a considerable number of state enterprises into joint-stock companies. The KamAZ [Kama Motor Vehicle Plant], the largest association manufacturing heavy trucks, was one of the first to embark on this path. How is this process coming along? What are the difficulties facing the future stock holders? That is the subject of this article*

Why Does the KamAZ Need Stock Shares?

"Let us not give up the KamAZ to the operators in the 'shadow economy'!" some of its workers are saying. It is not hard to guess the reason for such statements. On 30 June 1990, the USSR Council of Ministers made the decision to change the KamAZ into a joint-stock company. It was announced that not only enterprises, but the public as well, would be able to purchase stock shares. So that the shares are more accessible to citizens, their nominal price was set at just 100 rubles. So the workers are worried that the "shadow operators" will buy up all the shares that have been issued. So who will the KamAZ belong to then?

"But it cannot be argued this way!" L. Komm, the KamAZ director of economic affairs, said. "In the first place, the plant's workers will be given preference when the shares are sold. Secondly, no less than 51 percent of the shares remain All-Union property. Half of the votes are given to the joint-stock company's labor collective, and the other half are transferred to the ministry. And

finally, all the shares which the public purchases will be nominal, in conformity with the Statute on Joint-Stock Companies and Companies with Limited Responsibility. Consequently, when a sizable number of them are purchased, a declaration on income can always be required from a citizen who invests large sums of money in stock shares. Moreover, the profits acquired from stock in the form of dividends will be taxed differently from the 'shadow economy' profits of today. For this reason, I am convinced that there are no grounds for apprehension that the KamAZ will find itself in the hands of the mafia."

Yes, it is an unusual situation for us, let us say frankly. The largest motor vehicle complex, which has been provided with the most up-to-date equipment and which employs about 140,000 persons of 60 nationalities at 17 plants, suddenly changes from a state enterprise into a joint-stock company.

The word "KamAZ" was heard for the first time in 1969, when the Soviet Government issued the decree on construction of a major complex to manufacture heavy trucks on the lower course of the Kama River. The KamAZ Production Association's date of birth is considered to be 13 December 1969. The best achievements of domestic and foreign automotive manufacturing were taken into account in planning and building the plant. All the Soviet republics and hundreds of foreign firms took part in building and equipping the Kama Association. The first vehicle came off the production line on 16 February 1976. The export of KamAZ vehicles was begun at that time. Today they are known in dozens of countries and are on the roads in Europe, Asia, Africa, and Latin America. Three gold medals have been awarded to vehicles with the KamAZ name at international exhibitions and fairs. They have passed an exacting test to conform to international standards in the UN Economic Commission for Europe.

Today hundreds of thousands of Kama heavy trucks are being operated in all sectors of the national economy in our country and abroad.

So why did we need to change the KamAZ? To transform it from a production association owned by the state into a joint-stock company?

We must look for the answers in the economic status of the automotive giant today first of all. And it is alarming. Much of its equipment, both domestic and imported, which was acquired at one time for petrodollars, has already become obsolete. It needs repair and spare parts, and often simply replacement is required—15 years have gone by, all the same!

On the other hand, in order to turn out a competitive product, we must have markets for sales not only in our country, but other countries as well, and we need to develop a new vehicle model. Today's KamAZes were designed to operate on our poor roads. They were equipped with an additional—a third—axle for that reason. Because of the reduced axle load (only 6 tons,

half the load of Western truck models), our heavy trucks do not sell well in the West. After all, it is not economical to use these vehicles on good roads, and this makes them unattractive to the Western consumer. So we have to market our heavy trucks in countries and regions with the same poor roads that we have. But it is becoming harder and harder to find such regions.

It is a vicious circle. In order to make a profit and operate with cost recovery, we need to turn out a competitive product. But we have to invest large sums for this, including foreign exchange, in rebuilding and reequipping the KamAZ and developing a new vehicle model. Clearly, the government does not have such funds at its disposal today.

Aside from the problems which have accumulated in the KamAZ Production Association that are purely of a production nature, so to speak, there are also social problems. Today about 40,000 employees of the association are waiting in line for housing. There are not enough nursery schools, athletic facilities, and other social and cultural institutions. And money is needed for all this. "According to our estimates, in order to carry out the three social programs at the KamAZ—to build housing and social and cultural facilities, to increase employees' wages to match the level of inflation, and to improve working conditions and the ecology—we need from 3 to 3.5 billion rubles over a 10-year period," L. Komm says. "Add to this the sum which the KamAZ will require for the technical reequipping of production—this amounts to about 6 billion—and it turns out that the association's shortage of financial resources is in the range of 8 to 10 billion rubles. We can acquire about 2 billion in the form of profit. But where do we get the rest of it? We decided to issue shares of stock to mobilize the funds that we lack."

In Different "Bookkeeping" Languages

The KamAZ stock shares will not only be distributed in our country, but other countries as well. This will make it possible to attract foreign exchange. Incidentally, we have been told that many Western employers are prepared to invest their assets in developing the KamAZ. But here is the problem, you see: in order to make the shares available in other countries, we need to make public the balance of the future joint-stock company, first of all, and secondly, we need to evaluate the property for which the stock shares are being issued, to answer the question: how much is the KamAZ worth? It turns out that it is not so simple to do all this. The bookkeeping system used in our country is not understood by Western businessmen. It turns out that we are speaking in different "bookkeeping" languages.

In order to surmount this obstacle, help is needed from an international auditing firm to evaluate KamAZ property in accordance with the methods used in the West and help in compiling the balance. The board of directors of the future joint-stock company is now searching for such a firm.

Incidentally, the problems which have arisen have given impetus to the establishment of a joint consulting venture in Moscow. One of its functions will be an auditing service. The founders of this enterprise, along with the KamAZ, are one of the international consulting firms, the Machine Tool Manufacturing Plant imeni Vladimir Ilich (in Moscow), and the Moscow Management Institute imeni S. Ordzhonikidze.

The difficulties in attracting foreign currency with the help of stock shares are also related to the fact that Western entrepreneurs are still not confident that the capital invested in our economy is protected. We need legal documents on the protection of foreign investors' interests. Without this it is doubtful that the KamAZ or other future joint-stock companies will manage to sell their stock shares in the stock exchanges of the West for any sizable sum.

What the Workers Will Receive

Will the KamAZ employees buy shares of its stock? We received a nearly unanimous reply to this question: "I will buy! After all, they pay dividends for the shares. And the higher they are, the more of my own money I will invest in the stock!" An answer such as this, despite its logic, does not suit the association's managers. After all, this concerns more than dividends, they explain to the employees. The growth of the joint-stock company's property is important to the stockholders. And it is not by chance that the meetings of stockholders in major Western companies often decide to keep the dividends at the previous level, and the profit received is not "eaten away," but invested in developing the joint-stock company, in the accumulation of capital. The initial cost of the stock shares is thereby increased. Unlike when money is kept in a bank, where the initial contribution remains unchanged, for example. Clearly, under inflationary conditions it is much more profitable to invest money in productive capital, which is not subject to devaluation, by purchasing stock than to keep this money in a bank.

The KamAZ employees' participation in management of the joint-stock company will also depend on the number of shares that they acquire: after all, in addition to everything else, each share gives the right to vote. The number of votes belonging to a stockholder depends on the number of shares he has acquired.

To what extent will participation by the labor collective of the KamAZ AO [Joint-Stock Company] in its management be of full weight? How will its interests be protected? Regardless of how many shares in the KamAZ are purchased, its labor collective, as already stated, receives 25.5 percent of the votes, which correspond to the shares owned by the state, in conformity with the USSR Council of Ministers decree. This should ensure specific guarantees to the workers of the KamAZ AO in the management of the joint-stock company.

However, the question arises: just who will dispose of these votes? After all, they belong to the labor collective

as a whole. Who will protect the interests of the labor collective before the joint-stock company? Here everything will depend on the employees themselves. It may be specified, for example, that the labor collective's interests at a stockholders meeting will be represented by the chairman of the STK [labor collective council], or the chairman of the trade union committee, or someone else. But there may be another alternative. The votes which belong to the labor collective will be divided among the different collectives within the KamAZ itself. And each one of them will uphold its own interests in accordance with its votes.

The interests of the KamAZ employees will also be represented by the joint-stock company's board of directors. One-third of the board's votes are assigned to representatives of the labor collective for this from the very start. One-third of the board's votes will belong to the administration, but the remainder will belong to the major stockholders.

The collective contract will be of a fundamentally new type. It will be concluded by the labor collective of the KamAZ AO with the joint-stock company's board of directors. And this collective contract, which will state the workers' demands, should be approved by a general stockholders meeting.

As we see, it is planned to form a powerful mechanism to protect the labor collective's interests before the stockholders.

They consider it very important at the KamAZ that as many employees as possible become stockholders. It is planned to provide employees of the KamAZ AO with a number of privileges for this purpose. Thus, part of the shares will be sold at a lower price to members of the labor collective, with additional payment of the difference at the expense of the joint-stock company. Provision is also being made for the transfer of shares in the form of bonuses in accordance with work results, payment of a 13th wage with stock shares, and so forth.

It must be emphasized that the distribution of shares among the public may become seriously complicated because these shares can be only nominal. Unlike the shares held by enterprises. This procedure was set forth in the Statute on Joint-Stock Companies and Companies With Limited Responsibility adopted by the USSR Council of Ministers. "What does this mean?" they said to us at the KamAZ. "If there are several hundred thousand of our stockholders, and this is quite realistic, a special organ will have to be established with dossiers on each stockholder: his name, address, telephone, the total number of his shares, and so forth. That is, everything that will have to be stated if the stock share is nominal. But after all, there will also be a continuous movement of the shares—someone will turn them over and someone will acquire them." The persons we talked with held the view that all stock shares should be the property of the bearer. And it is not necessary to refer to

"the shadow economy": after all, the shares can be purchased with the help of an agent.

Incidentally, in order to organize the distribution of shares and keep a record of their movement, it is planned to establish a so-called ownership committee under the board of directors. In other words, this will have a certain similarity to a stock exchange, an "internal KamAZ" exchange.

But Do You Want to Buy Shares?"

In the first stage, the shares will be sold to members of the KamAZ labor collective, then to members of the labor collectives of associated enterprises and the enterprises whose stock shares the KamAZ has acquired. And only in the final stage, after a stock exchange and institutions to verify profit declarations and so forth begin functioning in the country, will the shares be sold to everyone that wants them. According to available estimates, the KamAZ stock shares will be quoted in the international stock exchanges as well.

The KamAZ Joint-Stock Company is in the development stage at present. It will begin operating from the moment that its regulations are recorded in the local soviet. Adoption of the regulations is the prerogative of the general meeting of stockholders. But there are no stockholders yet; in fact, there are no stock certificates either. For this reason, management of the KamAZ AO has been entrusted to the board of directors of the transformed production association, in accordance with the USSR Council of Ministers' decision, until the first general meeting of stockholders has been called and the board of directors (council) of the joint-stock company has been elected.

These are the specifics of a state enterprise's transformation into a joint-stock company. While a newly formed joint-stock company can begin functioning only after distributing shares and forming a statutory fund beforehand, this prerequisite is not obligatory at all for an operating state enterprise. It continues to operate, but for the period of transformation into a joint-stock company, the management of the enterprise may be entrusted to its board (as in the case of the KamAZ Production Association), to a ministry, or any other juridical person.

The KamAZ Joint-Stock Company's board has been given the right to draft the regulations of the company so that they can be adopted later at the first general meeting of stockholders. A special commission was created to draft the regulations; in addition to the management, it includes representatives of the labor collectives of the KamAZ plants and ministry representatives, as well as specialists from the "Manager System" joint venture, which is concerned in particular with the problems of changing state ownership into company ownership. The joint-stock company's regulations have now been drafted, and in the KamAZ management's view, they can be recorded as early as August. At the same time, it is planned to organize the presentation of the joint-stock company in Moscow.

When the KamAZ Production Association is changed into a joint-stock company, shares will be issued for the total balance value of the association, including the value of fixed and working capital (taking depreciation into account), incomplete construction, and so forth. As of 1 July, this balance value amounted to about five billion rubles. It is planned to issue stock shares in this amount.

What kind of mechanism will be used to distribute the shares? There are no stock certificates yet. But this does not disturb the future stockholders. Right after the joint-stock company is registered, it is planned to issue certificates, which will be replaced later by stock shares. Anyone who wishes to become a stockholder will have to submit a written application and transfer 10 percent of the sum represented by the shares to a special account in the bank. This money will be deposited with annual interest of about 4 percent until the shares which will give the right to receive dividends are redeemed. Evidently it will be determined that the right to vote may be obtained after investing 50 percent of share's total amount. The maximum period of time from the first transfer of money for deposit until the shares are redeemed will be specified by the joint-stock company's regulations. If the shares are not redeemed during this period (6 or 9 months, let us assume), the joint-stock company receives the right to sell the unredeemed portion to another purchaser. This procedure for disposing of shares will apply both to the public and to enterprises. After the shares are distributed, the first general meeting of stockholders will be held. Most likely this will take place in the first half of next year.

Leaseholders Against Stockholders

The establishment of joint-stock companies is a new practice in our country. And conflicting situations, somewhat unexpected at first glance, are arising because of that. Let us mention one of them.

This concerns those plants in the KamAZ Joint-Stock Company which operate under a lease contract. Take the frame extrusion plant, for example, one of the main

facilities. Some 7,500 persons are employed here, and new methods of economic operation are being utilized. A. Starikov, the acting deputy director of the plant for economic affairs, says: "The lease contract is in effect until the year 2000, and the lease payment is 6 percent annually. The plant receives a state order from the KamAZ, but everything produced above the state order is disposed of independently."

The lease contract has contributed to increased production efficiency, labor productivity has increased, and labor turnover has declined. The employees have felt that they were proprietors at the production facility and they acquired the opportunity to make use of the profit earned by the collective at their own discretion.

With the shift to a joint-stock company, a great deal may be changed for the plant. And change for the worse, its managers believe. What is important is that the plant's independence today may be substantially reduced. It will not be the plant's labor collective, but the future stockholders who will begin disposing of the profit acquired. And on the whole, many of the management rights will be transferred from the plant to the joint-stock company's board of directors. "This cannot suit us, of course," says A. Starikov. "But we don't know how we will proceed in such a situation yet. Perhaps the plant should also issue its own stock shares and be turned into a joint-stock company."

You will agree that the concern of the plant employees is understandable. Evidently, a mechanism for turning enterprises into joint-stock companies which does not infringe upon the rights of their leaseholding collectives is still to be shaped.

What is new is always begun with difficulty. Development of the joint-stock company form of ownership is the future of our economy, which is turning toward the market. It is to be hoped that the experience accumulated by the KamAZ will facilitate the transition to joint-stock companies by other state enterprises.

END OF

FICHE

DATE FILMED

10 Oct. 1990